



# HSBC Emerging Markets Debt (EMD) Fund Overview

Class A: HCGAX

Class I: HCGIX

## Broad EMD exposure to capture yield potential

Not only has the size of the EMD asset class doubled over the past decade,<sup>1</sup> it has also become increasingly intricate and difficult to decipher. HSBC's robust macro economic analysis, valuation discipline, liquidity management and risk modeling tools are time- and market-tested to navigate opportunities and manage risk in this complex landscape.

Leveraging this platform, the HSBC EMD Fund seeks to capture select opportunities across the EMD hard currency and local debt segments to achieve the highest potential risk-adjusted returns. The two segments can react differently to shifts in the market. By having exposure to both universes, the fund can position itself to benefit from different drivers of performance in various environments.

The fund provides diversification and flexibility using a benchmark of 50% JP Morgan Emerging Markets Bond Index Global, with exposure to 66 countries, and 50% JP Morgan GBI-EM Global Diversified Index, with 18 countries, for a calculated blend of hard and local debt universes.

## Making strategic allocations targeting diversification

- Portfolio diversification.** Exposure to both hard currency and local EMD and to a range of EM countries brings clear diversification benefits. This understanding helps us focus on varying drivers of return and allocate based on different phases of the economic and business cycles to maximize risk-adjusted returns.
- How we manage risk.** We take a qualitative and quantitative approach to risk management, factoring in beta and correlations between asset classes, volatility, and downside risk. Models are subjected to rigorous stress testing prior to implementation. Identifying, pricing and combining risks is at the core of our investment process
- EMD expertise.** HSBC has been active in emerging markets for over 150 years. With a staff of approximately 200 dedicated emerging markets professionals in 15 countries, our global EMD investment team leverages extensive knowledge and insights from one of the world's largest emerging markets investment platforms

## Allocation guidelines

Using our in-depth valuation and quantitative tools, we determine our positions within the following ranges:

Hard currency	30-70%
Local exposure	30-70%**
Corporate debt	0-25%
USD cash	0-20%
Max country allocation	+/- 10% of benchmark
Tracking error	1.5-3.0%

\*\* The Fund is subject to margin rules imposed by applicable law which currently preclude the Fund from trading in certain uncleared derivatives. The inability to use these instruments may adversely impact the Fund's performance.

### Investment products:

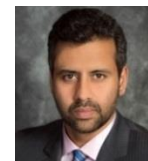
ARE NOT A BANK DEPOSIT OR OBLIGATION OF THE BANK OR ANY OF ITS AFFILIATES	ARE NOT FDIC INSURED	ARE NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY	ARE NOT GUARANTEED BY THE BANK OR ANY OF ITS AFFILIATES	MAY LOSE VALUE
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All decisions regarding the tax implications of your investment(s) should be made in connection with your independent tax advisor.

## Portfolio Managers

Team-based collaboration lies at the core of our investment process. Portfolio management decisions incorporate the expertise and analysis of global EMD specialists.

### Lead Portfolio Manager



**Nishant Upadhyay**

Head of Global Emerging Markets Debt Team, HSBC Global Asset Management (USA) Inc.

Oversight of all EMD portfolios  
17 years industry experience

### Co-Portfolio Managers



**Billy Lang**

Local Markets  
11 years industry experience



**Zeke Diwan**

External Corporates and Sovereigns  
21 years industry experience

## Key Characteristics

	Inception	AUM
Fund	Apr 2011	\$54.2M*
Strategy	Sep 1998	\$407M*
<b>Expense Ratio<sup>2</sup></b>		
Class A: 0.85%		Class I: 0.50%
<b>Benchmark:</b> 50% JP Morgan EM Bond Index Global (EMBI Global); 50% JP Morgan GBI-EM Global Diversified Index (GBI-EM GD)		
Invests predominantly in EM sovereign and quasi-sovereign bonds and FX		

## HSBC Global Asset Management

HSBC has been active in emerging markets for over 150 years and is one of the world's largest managers of emerging markets assets

\$125bn in emerging markets assets\*

\$90bn in EMD fixed income assets\*

\$18.5bn managed by US EMD investment team\*

1 Source: JP Morgan

\* as of June 30, 2017

2 See back page for further details

## Portfolio Construction and Implementation

- **Fundamental analysis with a strong valuation discipline.** The fund is implemented by our experienced global EMD investment team and supported by over 30 additional analysts and investment specialists that provide macroeconomic, fundamental, and relative value analytics. These insights help determine the fund's overall risk appetite, beta, and class targets.
- **Model portfolio construction** guides the investment team's risk and exposure planning. The investment team estimates an expected return and future volatility levels for a variety of risk dimensions and timeframes (beta and correlations between asset classes, volatility, downside risk, standard deviation). Preliminary exposure targets are established according to these estimates and then recalibrated based on an assessment of market technicals and flows, macro themes, and risk limits.
- **Portfolio engineering and stress testing.** Prior to implementation, model portfolios undergo a rigorous stress testing regimen led by the portfolio engineering team. Long-term and short-term considerations are evaluated with the use of two risk models. This process helps ensure allocations are aligned with the fund's established risk and return targets.

## Investment Process



Source: HSBC Global Asset Management

## Important information

<sup>2</sup> HSBC Global Asset Management (USA) Inc., the Fund's investment adviser has entered into a contractual expense limitation agreement with the Fund under which it will limit total expenses of the Fund (excluding interest, tax, brokerage commissions, extraordinary expenses and estimated indirect expenses attributable to the Fund's investments in investment companies) to an annual rate of: Class A: 0.88%, Class I: 0.53%. The expense limitation agreement is effective until March 1, 2018.

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HSBC Global Asset Management is the marketing name for the asset management businesses of HSBC Holdings Plc. HSBC Global Asset Management (USA) Inc. is an investment adviser registered with the US Securities and Exchange Commission. HSBC Global Asset Management (USA) Inc. serves as the investment adviser to the HSBC Funds. Foreside Distribution Services, L.P., member FINRA, is the distributor of the HSBC Funds and is not affiliated with the adviser. HSBC Securities (USA) Inc., member NYSE, FINRA and SIPC, is a sub-distributor of the HSBC Funds. Affiliates of HSBC Global Asset Management (USA) Inc. may receive fees for providing various services to the funds. Unless and until HSBC Global Asset Management (USA) Inc. and you have entered into an investment management agreement, HSBC Global Asset Management (USA) Inc. is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, to you, or to any retirement account(s) for which you act as a fiduciary.

Statistical information pertaining to HSBC Global Asset Management personnel or assets may be aggregated. Assets under management may include assets managed by affiliates of HSBC Global Asset Management, which may provide advice in the form of portfolio construction, sector allocations and / or stock recommendations. HSBC Global Asset Management has based this material on information obtained from sources it believes to be reliable but which it has not independently verified. HSBC Global Asset Management and HSBC Group accept no responsibility as to its accuracy or completeness. The views expressed were held at the time of preparation and are subject to change without notice. Forecasts, projections or targets are indicative only and are not guaranteed in any way. HSBC Global Asset Management accepts no liability for any failure to meet such forecasts, projections or targets.

**Risk considerations:** There is no assurance that a portfolio will achieve its investment objective or will work under all market conditions. The value of investments may go down as well as up and you may not get back the amount originally invested. Portfolios may be subject to certain additional risks, which should be considered carefully along with their investment objectives and fees. Fixed income is subject to credit and interest rate risk. Credit risk refers to the ability of an issuer to make timely payments of interest and principal. Interest rate risk refers to fluctuations in the value of a fixed income security that result from changes in the general level of interest rates. In a declining interest rate environment, a portfolio may generate less income. In a rising interest-rate environment, bond prices fall. Investments in high yield securities (commonly referred to as "junk bonds") are often considered speculative investments and have significantly higher credit risk than investment grade securities. The prices of high yield securities, which may be less liquid than higher rated securities, may be more volatile and more vulnerable to adverse market, economic or political conditions. Investments in foreign markets involve risks such as currency rate fluctuations, potential differences in accounting and taxation policies, as well as possible political, economic, and market risks. These risks are heightened for investments in emerging markets which are also subject to greater illiquidity and volatility than developed foreign markets. Derivatives can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on performance. The Fund is subject to margin rules imposed by applicable law which currently preclude the Fund from trading in certain uncleared derivatives. The inability to use these instruments may adversely impact the Fund's performance.

**Investors should consider the investment objectives, risks, charges, and expenses of the investment company carefully before investing. The prospectus contains this and other important information about the investment company. For clients of HSBC Securities (USA) Inc., please call 1-888-525-5757 for more information. For other investors and prospective investors, please call the Funds directly at 1-800-782-8183 or visit our website at <https://investorfunds.us.hsbc.com/default.fs> Investors should read the prospectus carefully before investing or sending money.**

US persons (both entities and individuals) are subject to US taxation on their worldwide income and may be subject to tax and other filing obligations with respect to their US and non-US accounts. The Foreign Account Tax Compliance Act (FATCA) is a US law designed to prevent the use of non-US accounts or non-US entities to avoid US taxation of income and assets. To meet this objective, FATCA imposes on US and non-US entities certain documentation, due diligence, withholding and reporting requirements with respect to accounts and certain payments. Investors should consult their independent tax advisors about investment tax implications.

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