HSBC Emerging Markets Debt (EMD)

Fund Overview

Second Quarter 2018

Class A: HCGAX
Class I: HCGIX

Capturing growth potential in EMD

Not only has the size of the EMD asset class doubled over the past decade,[1] 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.

The HSBC EMD Fund seeks to capture select opportunities across the EMD hard currency and local debt segments to achieve superior risk-adjusted returns. The two segments can react differently to shifts in the market. By having exposure to both, 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 21 countries, for a calculated blend of hard and local debt universes.

Strategic allocations that target diversification

1 **Portfolio diversification**. Exposure to both hard currency and local EMD and to a range of EM countries brings clear diversification benefits. We focus on multiple drivers of return and allocate based on different phases of the economic and business cycles to maximize risk-adjusted returns

2 **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

3 **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.

[1]*Source: J.P. Morgan, as of 30 June 2018.*

Portfolio management

Nishant Upadhyay

- Lead Portfolio Manager
- Joined HSBC in 2015
- 17 years industry experience

Zeke Anurag Diwan

- Co-Portfolio Manager
- Joined HSBC in 2016
- 16 years industry experience

Billy Lang

- Co-Portfolio Manager
- Joined HSBC in 2016
- 16 years industry experience

Key Characteristics*

Vehicle	Inception	AUM
Fund	Apr 2011	$51.6M
Strategy	Sep 1998	$7.2bn

Expense Ratio (gross / net)[2]
A: 2.04% / 0.85%   I: 1.69% / 0.50%

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

** Source: HSBC Global Asset Management as of 30 June 2018.*

[2]*Annualized prospectus expense ratio as stated in the February 28, 2018 prospectus*

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

All decisions regarding the tax implications of your investment(s) should be made in connection with your independent tax advisor.

HSBC Global Asset Management

Portfolio construction and implementation

Fundamental analysis with a strong valuation discipline. The strategy is implemented by 11 members of the global EMD portfolio management team and supported by over 30 analysts and investment specialists who provide macroeconomic, fundamental, and relative value analytics. These insights determine the strategy's overall risk appetite, beta, and class targets.

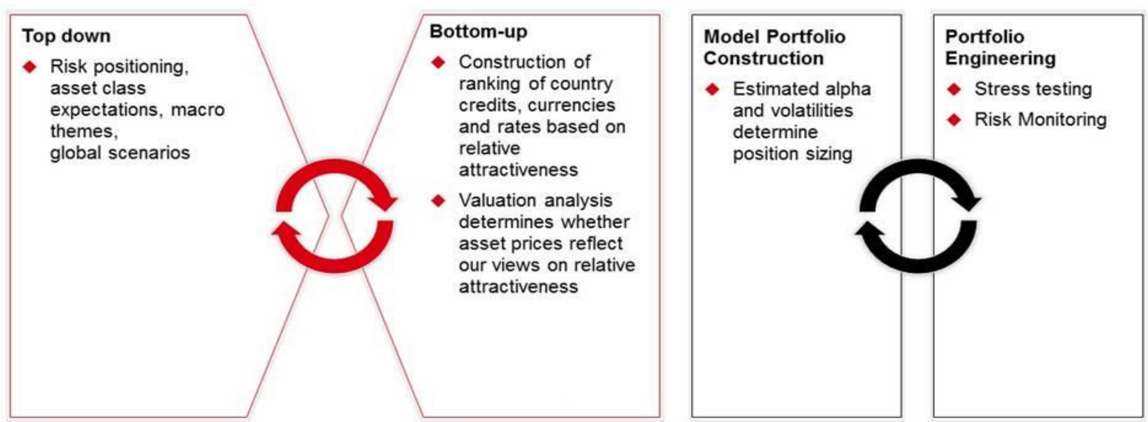
Model portfolio construction guides the investment team's risk and exposure parameters. The investment team estimates an expected return and future volatility levels for a variety of risk dimensions (beta, correla-tions between asset classes, volatility, downside risk, standard deviation). Preliminary exposure targets are established according to these estimates and is 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 helps ensure allocations are aligned with the strategy's established risk and return targets.

Allocation guidelines

Hard currency sovereigns	30%-70%
Local exposure	30%-70%
Corporate debt	0%-25%
USD cash	0%-10%
Tracking error	1.5%-3.0%

Investment Process



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
$121.5bn emerging markets assets
$87.1bn in emerging markets debt assets
$16.1bn managed by the US EMD investment team

**Source: HSBC Global Asset Management as of 30 June 2018.*

Key Risks

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.
- **High Yield** 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.
- **Foreign and emerging markets** 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.
- **Derivative instruments** Derivatives can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on performance.

Important information

This document is for information only and does not constitute investment advice, a solicitation or a recommendation to buy, sell or subscribe to any investment. It is not intended to provide and should not be relied upon for accounting, legal or tax advice.

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