HSBC Asia ex-Japan Smaller Companies Equity

Fund Overview

Class A: HAJAX **Class I: HAJIX**

Accessing Asia's new economy

Rising domestic consumption has prompted a new economy in Asia – one moving away from traditional sectors and towards consumer, healthcare and technology. Small caps are benefiting from the shift. In fact, we believe small caps provide more exposure to these new economy sectors than their large cap counterparts. This exposure, along with the pure-play business models in the small cap space contribute to its growth potential.

HSBC Asia ex-Japan Smaller Companies Equity Fund seeks to invest in smaller cap stocks with the strongest potential for long-term capital appreciation. The fund provides access to a broad range of industries.

Capturing the potential of smaller caps

1 **Superior research.** HSBC's time-tested insight and experience in Asia give our investment teams an edge in an under-researched space. We leverage our research expertise and local presence to select promising opportunities from a expansive small cap universe.

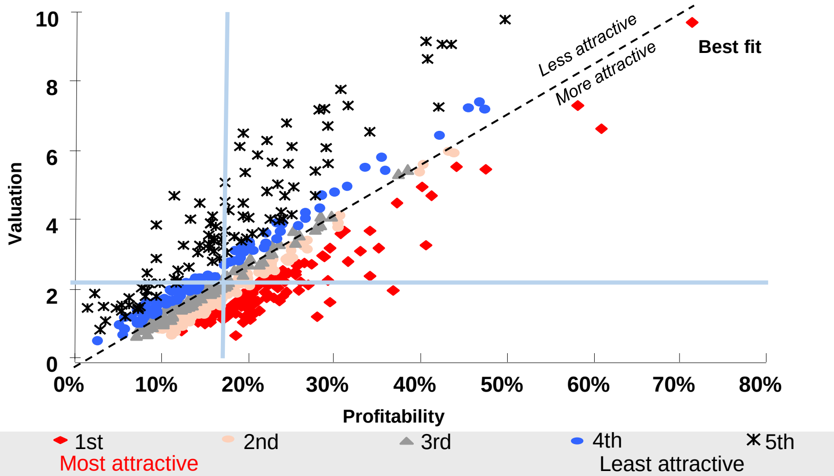
2 **Tapping into small cap diversification and growth.** Small caps in Asia often provide hidden opportunities. They exhibit more balanced exposure across industries in the private sector, versus larger caps that are primarily government-owned. In addition, smaller companies in specialized growth industries, such as electronics and auto parts, are often inaccessible through large caps.

3 **Strict valuation discipline.** HSBC's investment approach seeks to exploit market inefficiencies and find undervalued assets to generate attractive longer-term risk-adjusted returns. Our rigorous research on Asian ex-Japan industries and companies allows us to uncover underpriced assets and extract growth as prices revert to the mean.

Determining the opportunity set

We see a strong positive correlation between a company's fair value and profitability, as measured by its return-on-equity (ROE) or return-on-invested-capital. Asia ex-Japan smaller cap markets are inefficient in the short-term and pricing tends to correct in the long-term. In the sample set of Asia ex-Japan small caps, our research focuses on undervalued stocks (below the line of best fit) that we believe can attain fair value and enhance portfolio returns.

Focused on stocks with below-average valuation for a given level of profitability



Source: HSBC Global Asset Management, as of December 31, 2017

Portfolio Manager

Elina Fung
Investment Director, Equities
Based in Hong Kong
16 years industry experience

Alex Kwan
Associate Director, Equities
Based in Hong Kong
9 years industry experience

Key Characteristics

	Inception	AUM*
Fund	Mar 2016	$15.2m
Strategy	Jul 2005	$1.6bn

Expense Ratio
Class A: 1.27% Class I: 0.92%

Benchmark: MSCI AC Asia ex Japan Small Cap Index

Fund focuses typically on smaller companies in Asia (ex-Japan) with below-average valuation for a given level of profitability

Typical number of holdings: 60-90 stocks

Ex-ante tracking error: 4% to 12%

The fund is USD hedged, with capacity for up to 10% non-USD exposure

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 market assets

Three dedicated small cap professionals and over 60 additional analysts and managers in country and regional teams

$87bn in equities managed*

*AUM data as of December 31, 2017

HSBC
Global Asset Management

Investment philosophy and process

With our belief in the positive correlation between a company's valuation and profitability, we concentrate our research effort on stocks with sustainable profitability that we believe are undervalued. We believe they will correct themselves in the long run, providing strong potential for capital appreciation.

- A focus on stocks with below-average valuation for a given level of profitability can help us outperform the index on a rolling 3-year basis
- Overweighting positions in profitable companies with lower valuations can enhance returns
- Market vacillations provide us with an opportunity to buy good stocks at attractive valuations
- Markets revert to a measure of “relative intrinsic value” over time. Therefore, we are patient investors with a strict valuation discipline and long-term investment horizon

1. Universe analysis

- Team assembles an investable universe across 10 countries
- Stocks are ranked by ROE and price-to-book (P/B) ratio separately. Both rankings then combined for an overall stock ranking.
- We focus on the 1st and 2nd quintiles, exhibiting the highest ROE and lowest P/B as our research universe

Output: Stock ‘outliers’

2. Stock analysis

- Begins with the identified research universe
- Stock analysis focuses on:
  - Business model and strategy
  - Shareholder structure
  - Balance sheet strength and issues
  - Drivers of profitability
  - Competitive positioning
  - Earnings outlook
  - Corporate governance

Output: Stock ideas

3. Portfolio construction

- Portfolio parameters designed to keep exposure within acceptable levels of risk
- Positions are adjusted within portfolio parameters according to our conviction on a stock and contribution to active risk
- Ongoing factoring in of market risks and performance attribution
- Earnings assumptions revisited and adjusted as needed

Output: Stock portfolio

4. Risk management

- Monitor investment decisions’ coherence with portfolio objective
- Continuous quantitative monitoring (performance, risk indicators) at the stock and portfolio level
- Risk budgeting: ongoing identification of alpha sources and risk units

Output: Stock reassessment

Source: HSBC Global Asset Management

Important Information

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. HSBC Global Asset Management (Hong Kong) Limited serves as sub adviser to the Fund. 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. 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.
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. 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. 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.

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. **Equity** investments fluctuate in value based on changes to an individual company’s financial condition and overall market conditions. **Small and Mid Cap.** Investing in mid and small capitalization stocks involves greater risks than investing in larger companies. Smaller companies may have a limited number of products, be more difficult to buy and sell, subject to greater business and competitive risks and more sensitive to market changes than larger capitalization companies. **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. **Geographic concentration** occurs when a portfolio concentrates its investments in one country or region. Portfolio performance is expected to be closely tied to the social, political, and economic conditions in that country or region, and may therefore be more volatile than the performance of more geographically diversified funds. **Derivative instruments.** Derivatives can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on 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.

The contents of this document are confidential and may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose without prior written permission.