HSBC Asset Management

Fund overview

HSBC Specialist Funds Short Duration Fixed Income Fund

May 2021

ISIN Class AC: BMG4639W1111
ISIN Class AD: BMG4639W1376
ISIN Class CC: BMG4639W1608

Attractive return potential for short-term investors

The Short Duration Fixed Income Fund offers investors an opportunity to capture yield with a focus on capital preservation.

With a portfolio of 60+ investment grade USD-denominated bonds, the strategy's exposure is primarily to bonds issued by companies and governments. Subject to client guidelines, the strategy aims for a target duration +/- 0.5 years of the designated benchmark, with no single security having a final maturity longer than 5 years. Typically, most separately managed accounts will have an average maturity of less than 3 years.

Seeks optimal global risk/return opportunities

1 **Yield pick up potential in a risk-aware portfolio.** The strategy aims to deliver an attractive yield versus deposit rates and money market yields, while maintaining a portfolio of high credit quality securities with a relatively short duration. Identifying, pricing and combining risks is at the heart of our global credit investment process.

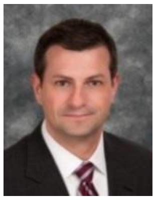
2 **Attractive risk/reward profile.** HSBC's relative value focus specializes in uncovering value from misunderstood US and international corporate debt. The strategy targets higher risk-adjusted returns than the benchmark through careful portfolio construction, risk budgeting and risk measurement.

3 **Research-driven, risk-focused.** The HSBC global credit platform leverages the company's geographic reach and gives the lead portfolio manager direct access to experienced teams of portfolio managers and credit research analysts around the world. Identifying, pricing and combining risks is also at the core of our investment approach. Our global footprint is advantageous for US-focused strategies to cover the increasing Yankee[1] issuance in US markets, currently around 45% of the USD 1-3 Yr Corporate universe.

Portfolio management

Jason Moshos

- Senior Portfolio Manager
- Joined HSBC in 2008
- 20 years industry experience



Key Characteristics*

Vehicle	Inception	AUM
Fund	March 2010	$94.1m

Mgmt fee: AC/AD: 0.40% CC: 0.25%

Fund Benchmark: ICE BofA Merrill Lynch 1-3 year US Corp and Govt Index

Average credit quality AA with a minimum credit quality of A

Invests in investment grade USD corporate and sovereign bonds

Seeks attractive risk-adjusted total return by investing in 0-3 year segment of the yield curve

Domicile: Bermuda

Base Currency: USD

Moody's Aa rated

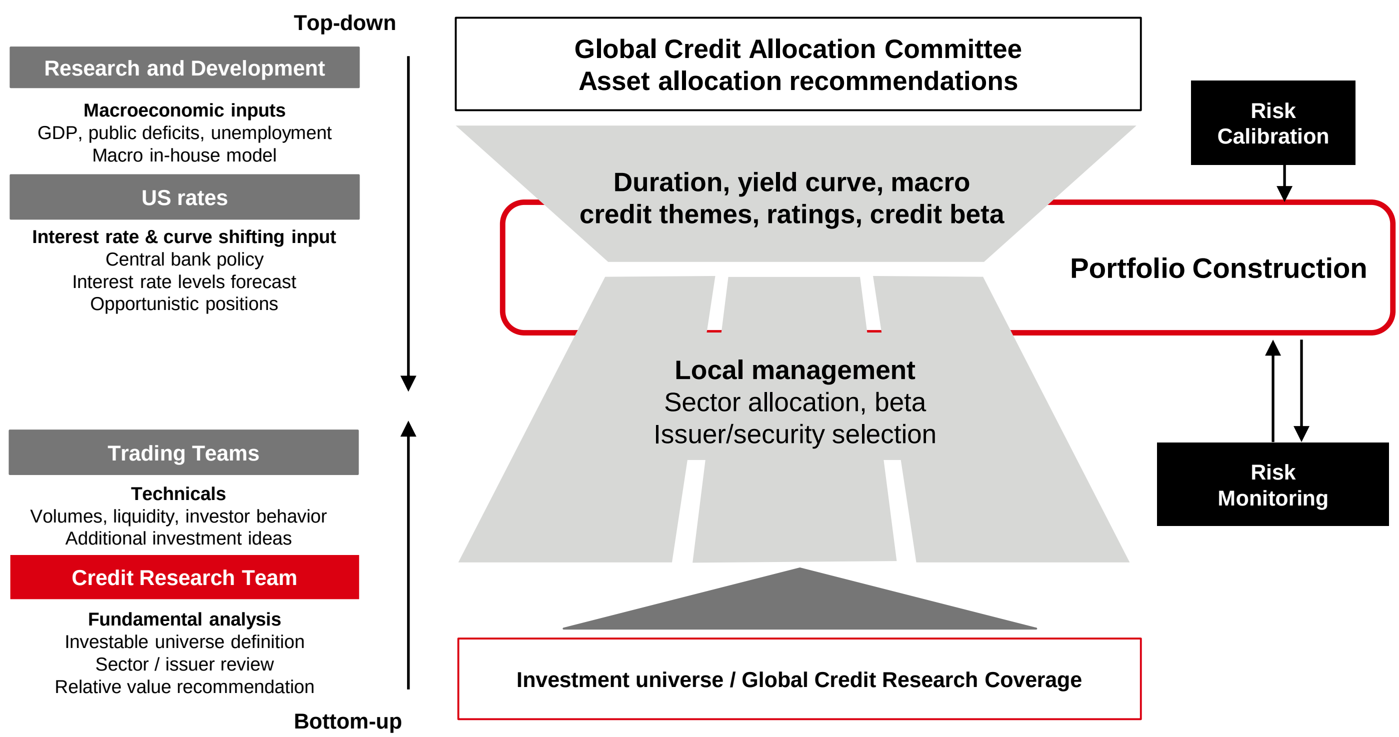
**Source: HSBC Global Asset Management as of 31 April 2021*

1. Foreign companies issuing debt in USD.

Portfolio Construction and Implementation

- **Dynamic top-down and bottom-up investment process** integrates a lead portfolio manager with global teams of analysts and portfolio managers. This structure supports a continuous exchange of investment data and expertise necessary to capture expanding global credit opportunities.
- **In-depth research.** Our global research teams provide top-down macroeconomic inputs, interest rate research and forecasting. The fund is further supported by 40+ locally-based credit researchers that provide fundamental, relative value analytics and sector/issuer review.
- **The lead portfolio manager** spearheads portfolio construction and risk management by leveraging local and global research and insights, tactically allocating assets and managing duration and beta targets.

Investment Process



HSBC Global Asset Management*

Global credit leadership with distinguished team of portfolio managers averaging over 20 years of experience
Global structure fosters exchange between portfolio managers, credit analysts and global research
Fully-resourced global credit research platform is the backbone to our highly disciplined investment framework
US$158.0bn in fixed income assets
US$27.0bn in global credit assets

**Source: HSBC Global Asset Management as of 31 March 2021.*

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.
- **Default Risk** The issuers of certain bonds could become unwilling or unable to make payments on their bonds.
- **Emerging Markets Risk** Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- **Exchange Rate Risk** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.
- **Interest Rate Risk** When interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality.
- **Investment Leverage Risk** Investment Leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source.
- **CoCo Bond Risk** Contingent convertible securities (CoCo bonds) are comparatively untested, their income payments may be cancelled or suspended, and they are more vulnerable to losses than equities and can be highly volatile.
- **Counterparty Risk** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.
- **Credit Risk** A bond or money market security could lose value if the issuer's financial health deteriorates.
- **Liquidity Risk** is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors.
- **Operational Risk** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

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