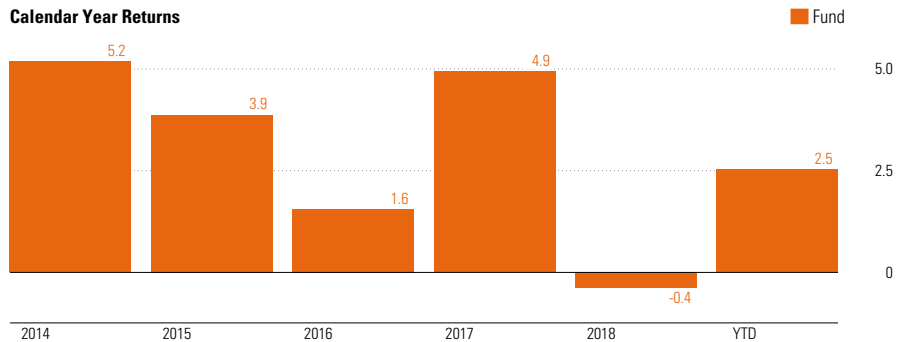


HSBC Specialist Funds Alternative Fund AC

Investment Objective

The objective of the Fund is to provide a total return from selected investment in a number of hedge funds, which utilise and trade a range of different strategies and markets worldwide. The Alternative Fund aims to make positive returns regardless of market cycle while attempting to limit investment risks. Alternative investments have low correlation to traditional asset class returns and therefore the Fund is designed to complement an investor's portfolio.

Calendar Year Returns



Portfolio Manager Commentary

Equities were supported by solid economic indicators and positive corporate earnings reports which legitimised the market levels. The HFRI Equity Hedge (Total) Index returned 1.9% in February. The average February performance of our L/S equity managers was +1.3%. The strongest number in February was +6.6% thanks to an aggressive net exposure and strong alpha generation. Our macro managers generated positive performance in February with the average manager generating gains of 0.5% during the month, moderately underperforming the HFRI Macro Discretionary Thematic Index return of +0.6%. Managed futures strategies finished the month of February slightly up. Medium-long term trend following strategies performed the best for the month while short term strategies detracted the most. The HFRI Event Driven (Total) Index gained 1.5% in February 2019, resulting in a year-to-date performance of +4.8%. Similar to January, all sub-indices posted a positive return for the month. Credit arbitrage (+3.4%), activist (+2.7%), and distressed/restructuring (+2.1%) sub-indices were the top contributors during the month. The most notable merger and acquisition activity in February included BB&T's acquisition of banking services company, SunTrust Banks, valued at USD28.1 billion and Danaher's acquisition of General Electric's biopharmaceutical business valued at USD21.4 billion. Relative value strategies continued their strong start to 2019. Across the broader hedge fund universe, February was characterised by specialised growth and high beta equity exposures driving performance.

Trailing Returns (28-Feb-2019)	Return %	Quarterly Returns	1st qtr	2nd qtr	3rd qtr	4th qtr
3 Months	1.25	2018	1.71	0.87	0.66	-3.54
6 Months	-0.88	2017	1.06	0.17	2.01	1.62
1 Year	0.18	2016	-2.50	0.46	1.52	2.14
3 Years Annualised	3.70	2015	3.27	0.06	-1.17	1.72
5 Years Annualised	3.16	2014	1.29	0.50	2.02	1.28
		2013	4.11	0.81	0.36	3.83

Portfolio 28 Feb 2019

Top 10 Holdings	% Port.	Strategy Allocation	% Port.	Strategy Contribution	% Port.
D.E. Shaw Oculus Intl Fund L.P.	6.73	Macro	21.80	Macro	0.13
Element Capital Feeder Fund Ltd.	6.72	Managed Futures	11.60	Managed Futures	-0.02
Marshall Wace - MW Eureka Fd	6.67	Market Neutral	11.70	Market Neutral	-0.01
Millennium Intl.	6.53	Multi Strategy	13.40	Multi Strategy	0.11
Two Sigma Spectrum Cayman	6.21	Volatility Arbitrage	3.50	Volatility Arbitrage	0.04
Third Point Offshore Fund, Ltd.	5.66	Distressed	0.00	Distressed	0.00
Renaissance Institutional Div	5.52	Equity Long Short	22.10	Equity Long Short	0.22
Global Equities		Event Driven	15.80	Event Driven	0.34
Tewksbury Investment Fund Ltd.	5.44	Cash & Expenses	0.00	Cash and Expenses	-0.01
Elliott International Ltd.	5.09				
OZ Enhanced Overseas Fund, Ltd.	5.06				

Operations

Manager	HSBC Global Asset Management (Bermuda) Limited	Domicile	Bermuda	Annual Fee	1.75%
		Currency	USD	Bloomberg Code	HSFALAC BH
		Inc/Acc	Acc	Min. Initial Purchase	10,000
Phone	+441 299 6644	Inception Date	31-03-2015	Min. Additional Purchase	5,000
Website	www.hsbc.bm	ISIN	BMG4639W1863	Total Net Assets (mil)	35.61
NAV (28 Feb 2019)	255.11 USD			Settlement Date	15 bus days after Dealing Day

Cut-off Time For subscriptions, monthly, by 12.00 noon five business days prior to the last business day of the month. For redemptions, monthly, by 12 noon one month and five business days prior to the last business day of the month.

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