HSBC Overnight Fund (HDF)

Overnight fund – An open ended debt scheme investing in overnight securities.
Relatively low interest rate risk and relatively low credit risk.

April 2022

Investment Objective:

The scheme aims to offer reasonable returns commensurate with low risk and high degree of liquidity through investments in overnight securities. However, there is no assurance that the investment objective of the Scheme will be achieved.

Fund Details

Fund Manager
Kapil Punjabi

AUM (as on 31.03.22)
963.61 Cr

Minimum Investment [1]

Lumpsum	SIP	Additional Purchase
₹ 5,000	₹ 500	₹ 1,000

Yield to Maturity [2] — 3.81%

Benchmark
CRISIL Overnight Index [3]

Inception Date
22 May 2019

Exit Load
NIL

Portfolio Strategy

- HSBC Overnight Fund is focused on different segments of money market curve.
- The entire Money-market curve is centric to the overnight funding cost.
- The overnight funding cost should move above the SDF rate of 3.75% going forward.
- There could be bouts of volatility as RBI continues the process of liquidity normalization; however, the steepness in the curve remains from the overnight rate to the 1-2 yr segment, offering attractive opportunity in terms of carry and roll-down.
- The overnight fund predominantly invests in overnight asset.

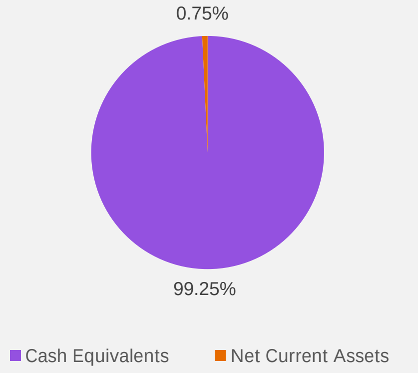
[1] in multiples of Re 1 thereafter
[2] YTM Based on invested Amount
[3] SEBI vide its circular no. SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652 dated October 27, 2021, on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark. Furthermore , the same is effective from 01 December 2021

Portfolio

Issuer	Rating	% to Net Assets
Cash Equivalent		
TREPS*		99.254%
Net Current Assets		0.746%
Total Net Assets as on 31-Mar-2022		100.000%

*TREPS : Tri-Party Repo

Asset Allocation



Benefits of Overnight Funds

Lowest volatility

Overnight funds offer relatively lower volatility compared to other fixed income funds

Lowest risk

Overnight funds carry no interest rate risk and lowest credit default risk vs other fixed income funds

High liquidity**

Overnight funds are one of the most liquid investments available in the market with redemption availability on any working day

Reasonable risk adjusted performance

Overnight funds can deliver consistent and reasonable risk adjusted performance vs traditional saving products

Core Strategy

HSBC Mutual Fund's Fixed Income investment team operate on three core pillars:

1) Robust Risk Management
   - Risk Management is core to the way we do business. It's our endeavor to bring the same in management of HSBC Overnight Fund.

2) Proactive Liquidity Measures
   - To ensure optimal liquidity to suit the investor's requirements in various situations, our fund managers follow stringent liquidity norms.

3) Optimising Returns
   - While keeping in mind the investors risk appetite and liquidity requirements, our fund managers avoid taking large interest rate risks in the portfolio.
   - All the credits are extensively screened and approved by the internal credit committee.

** As per the Regulations, the Overnight Fund shall dispatch the redemption proceeds within 10 Business Days from the date of acceptance of redemption request. The Fund will endeavor to dispatch the redemption proceeds in 1 Business Day from the date of receiving a valid redemption request.

Market Update

Market Summary for the month of March 2022

The markets traded with a negative bias during the month as geopolitical tensions and the resultant rise in commodity prices along with a sharp increase in global bond yields, given hawkishness of Federal Reserve and inflation concerns in developed economies, weighed on markets. However, there was some buying coming in at higher levels and markets partly recovered in the second half of the month.

In terms of macros, February CPI inflation numbers came in higher than expected. Overall with the fuel price pass-through starting in the month of March and continuing in April, it is expected that inflation will remain elevated and could go further higher in March and April before easing from May as base effects turn favorable from there on. Fiscal trends continued to stay positive; GST collections clocked an all-time high in the month of March; however, with the IPO of the government owned LIC being deferred on account of volatile market conditions, divestments were lower than anticipated in FY 22.

H1 FY 23 borrowing calendar was released in early April which was on expected lines. H1 FY 23 borrowing of INR 8.45 trn of total expected borrowings of IRN 14.31 trn constituted ~59% of the full year expected borrowings, in line with historical trends. In terms of issuance buckets, the 7-year issuance bucket was reintroduced, and bulk of the borrowings remains in the belly of the curve.

Overall, 10y closed February 7 bps higher at 6.84 at the end of March v/s 6.77 at the end of February. 5 yr segment outperformed and was lower by 3 bps closing at 6.02 at end of March v/s 6.05 at end of February,14 yr segment closed 1 bps higher at 7.13 v/s 7.12 at the end of the previous month

With limited supply in corporate bonds and statutory demand remaining strong, spreads in corporate bonds remained tight across segments, with spreads in the 10 yr space compressing even further during the month to very tight levels of less than 15 bps.

In terms of liquidity management, RBI continued to conduct VRRRs of 3 day, 7 day, 14 day and 28 day maturities. RBI also conducted USD sell buy swap of USD 5 bn in early March and announced another sell-buy swap of USD 5 bn to be conducted in the month of April, with a view to extend the maturity of its dollar forward book.

Outlook:

The RBI monetary policy committee unanimously decided to keep repo rate unchanged while calibrating the policy stance to "remaining accommodative while at the same time focusing on withdrawal of accommodation". Although RBI has kept rates unchanged, the introduction of SDF rates and re-wording of the policy stance indicate a move towards withdrawing the accommodation provided during the pandemic in a calibrated manner. The focus has now moved towards inflation. Geopolitical developments and rate increases by global central banks will also weigh on markets in the coming months. With bond supply starting in the month of April, and H1 borrowings remaining heavy, the ability of markets to absorb the same remains to be seen and markets will watch for any supportive actions by RBI. Fiscal trends in the new fiscal and any progress on the LIC IPO, which would help divestment revenues are some of the other factors to watch out for. Overall yields are expected to trade with a negative bias, inching towards the 7% mark.

Who should invest in HSBC Overnight Fund (HOF)?

- Park surplus money - HOF is well suited for investors looking to park their surplus money as the fund provides reasonable return potential with high liquidity

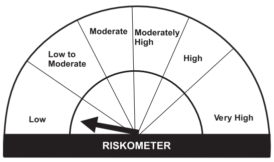
- Emergency funds - The fund is well suited for investors looking to park their emergency funds for short term such as 1 business day and earn reasonable returns with better access to funds

- High quality, high liquidity and low risk - HOF is also best suited for investors who would like to invest in a low volatile, high quality fixed income portfolio with easy redemption access

Suitable to park idle money for reasonable returns and high liquidity

HSBC Overnight Fund Riskometer

HSBC Overnight Fund



Investors understand that their principal will be at Low risk

Overnight Fund- An open ended debt scheme investing in overnight securities. Relatively low interest rate risk and relatively low credit risk.

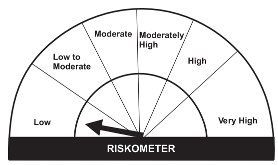
This product is suitable for investors who are seeking##:

- Income over short term and high liquidity
- Investment in debt & money market instruments with overnight maturity.

##Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Please note that the above risk-o-meter is as per the product labelling of the Scheme available as on the date of this communication/ disclosure. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Benchmark: CRISIL Overnight Index



Potential Risk Class (HSBC Overnight Fund)

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)	A-I		
Moderate (Class II)			
Relatively High (Class III)			

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

Source: HSBC Asset Management, India, (HSBC AMC), Bloomberg. Data as of 31 March 2022

HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.
GST - 27AABCH0007N1ZS, Email: hsbcmf@camsonline.com | Website: www.assetmanagement.hsbc.co/in