

RedHex SIF

By  HSBC Mutual Fund

Get the missing piece in
your core asset allocation.

RedHex Hybrid Long-Short Fund

(An interval investment strategy investing in equity and debt securities, including limited short exposure in equity and debt through derivatives)

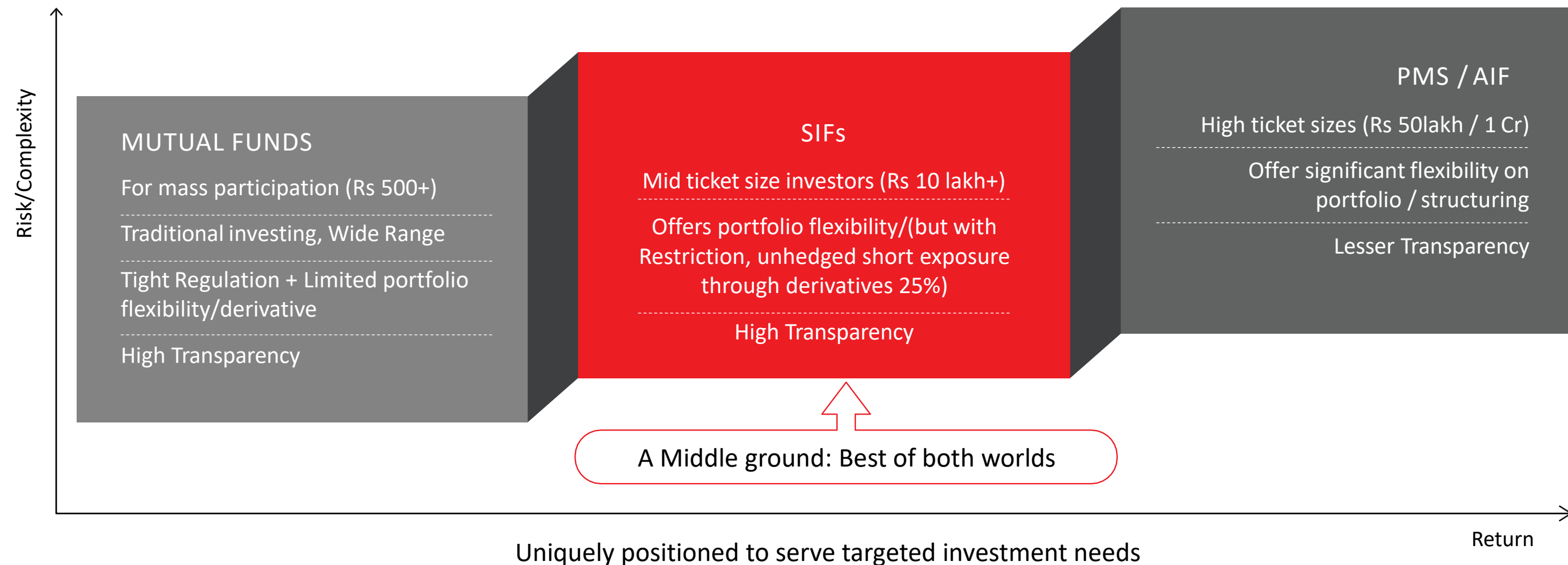
Product Deck

SEBI Registered Name/Number HSBC Mutual Fund/MF/046/02/5

LIC

SIFs: Introduced by SEBI to address the investment gap between MFs and PMS/AIFs

An intermediate investment that combines the regulatory transparency of MFs with portfolio flexibility



Positioning SIFs in the Investment Landscape

Feature	MF	SIF	PMS	AIF (CAT II)	AIF (CAT III)
Strategy	Long only	Long-Short	Long Only (tailored)	Long only	Long-Short
Minimum Investment	500	10 lakh^ (waived for accredited investors)	50 Lakh (waived for accredited investors)	1 Crore (waived for accredited investors)	1 Crore (waived for accredited investors)
Target investors	Retail / HNIs	Affluent / HNIs	HNIs	HNIs / Ultra HNIs	HNIs / Ultra HNIs
Investor Taxation	Equity: LTCG @12.5% (>12m) Debt- Slab Rate Others: LTCG @12.5% (>24m)	Equity/Hybrid (listed): LTCG @12.5% (>12m) Debt-Slab rate	Taxed to investor at each transaction level	Slab Rate	Nil
Fund-level taxation	Nil	Nil	NA	Nil	As Equity/Debt/Hybrid
Expense ratio	Max 1.85% / 2.1%	Max 1.85% / 2.1%	Management Fee + Performance Fee	Management Fee + Performance Fee	Management Fee + Performance Fee
Leverage	Not allowed	Not allowed	Not allowed	Not allowed	Allowed (up to 200% gross exposure)
Derivative use	Generally used for hedging only	Allowed, including unhedged shorts (up to 25%)	Generally used for hedging only	For hedging only	Upto 100%
Issuer and Sector Limit for Debt instruments (% of AUM)	Upto 10% / 20%	Upto 20% / 25%	No limit	Upto 25% / 100%	Upto 10% or 20% / 100%

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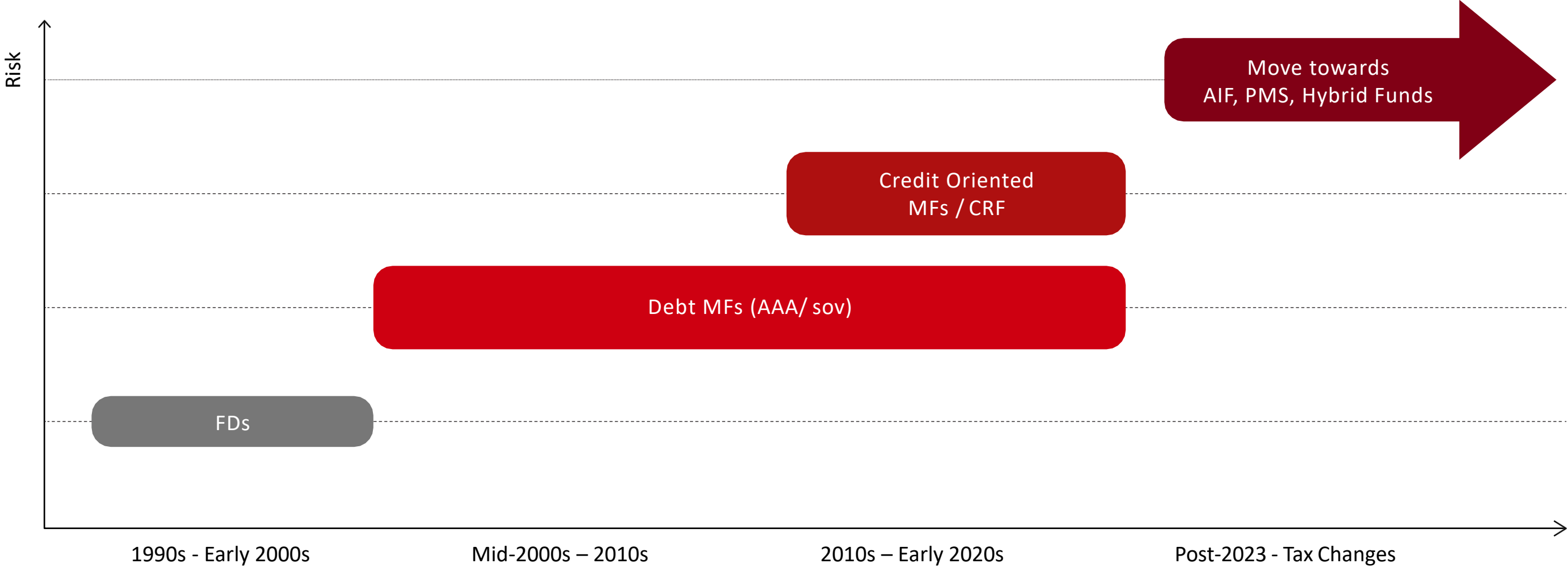
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Fixed Income products
and change of customer
preferences



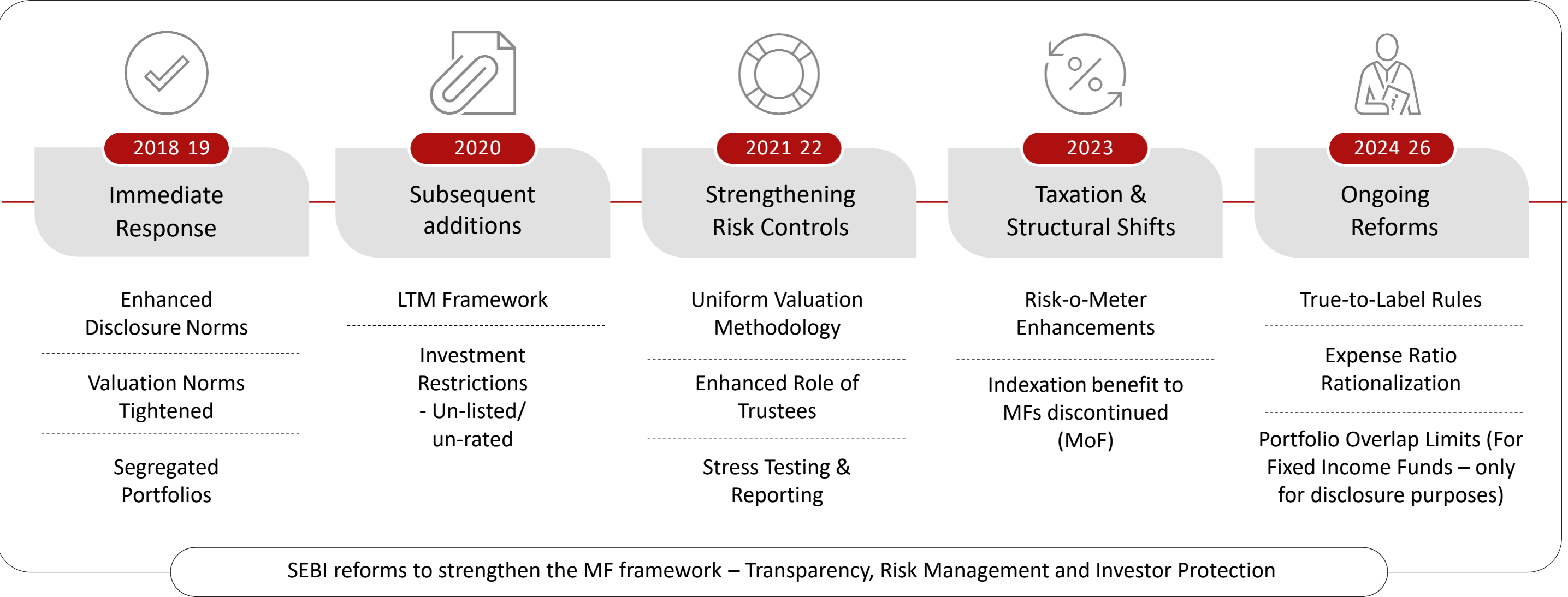
Evolution of Investor expectations from FI investments

Higher yield seeking investors have had to look outside debt MF avenues in recent years



Typically, HNI investor expectation is to beat the medium-term inflation by 2-4% on a post-tax basis

Credit default prompted stringent changes to MF regulatory framework



Impact of Indexation benefits going away and tax impact

What Changed with Taxation

Aspect	Before April 2023	After April 2023
Tax Treatment	LTCG with indexation	Slab rate (no indexation)
Effective Tax Rate (HNIs)	~10–12%	~30%+
Investor Preference	High	Declining
Alternatives Chosen	Debt funds, Index Funds, TMFs, FMPs	AIFs, FDs, Hybrids

Strategic changes taken by HNIs

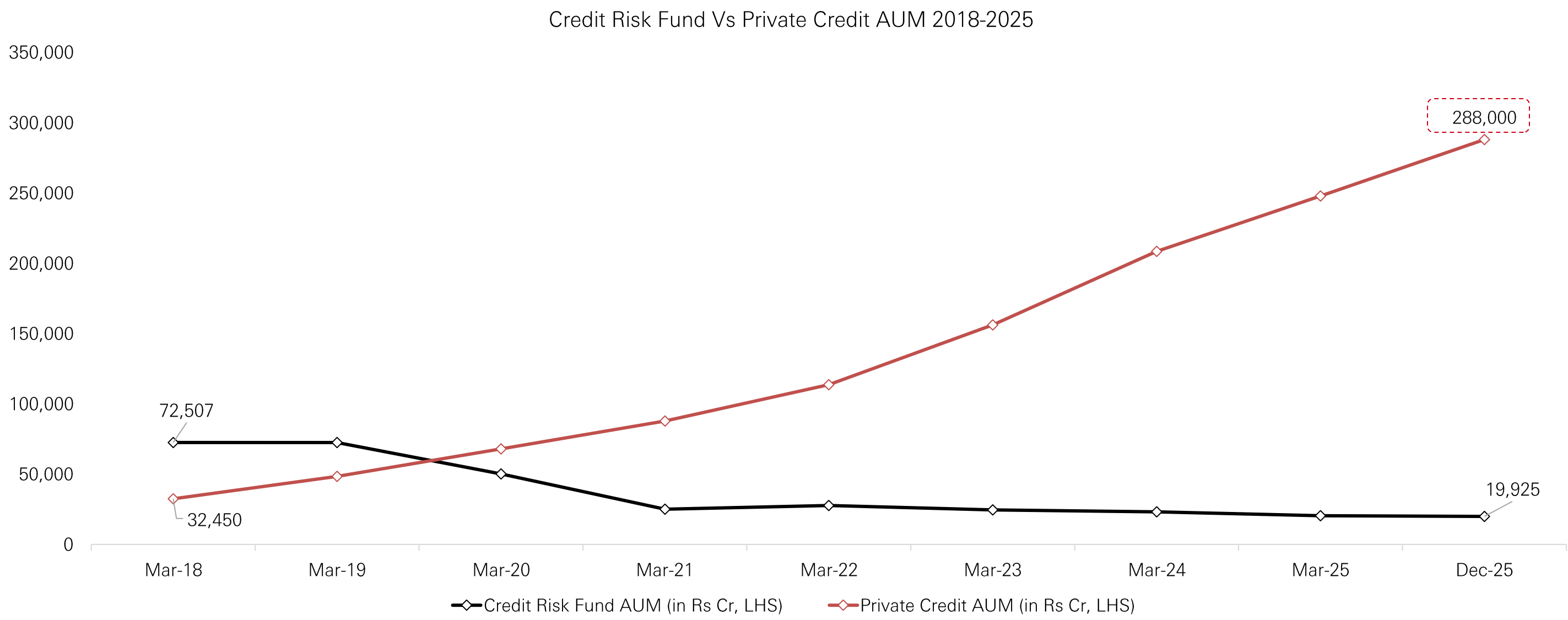
Shift to Equity/AIFs: For higher yields and tax structuring – even if it meant increasing the risks

Selective Debt Fund Use: Only where stability, liquidity or diversification is critical.

Strategic changes taken by MNIs (Medium-sized Non-Institutional Investors) and retail: moved to banks and corporate FDs



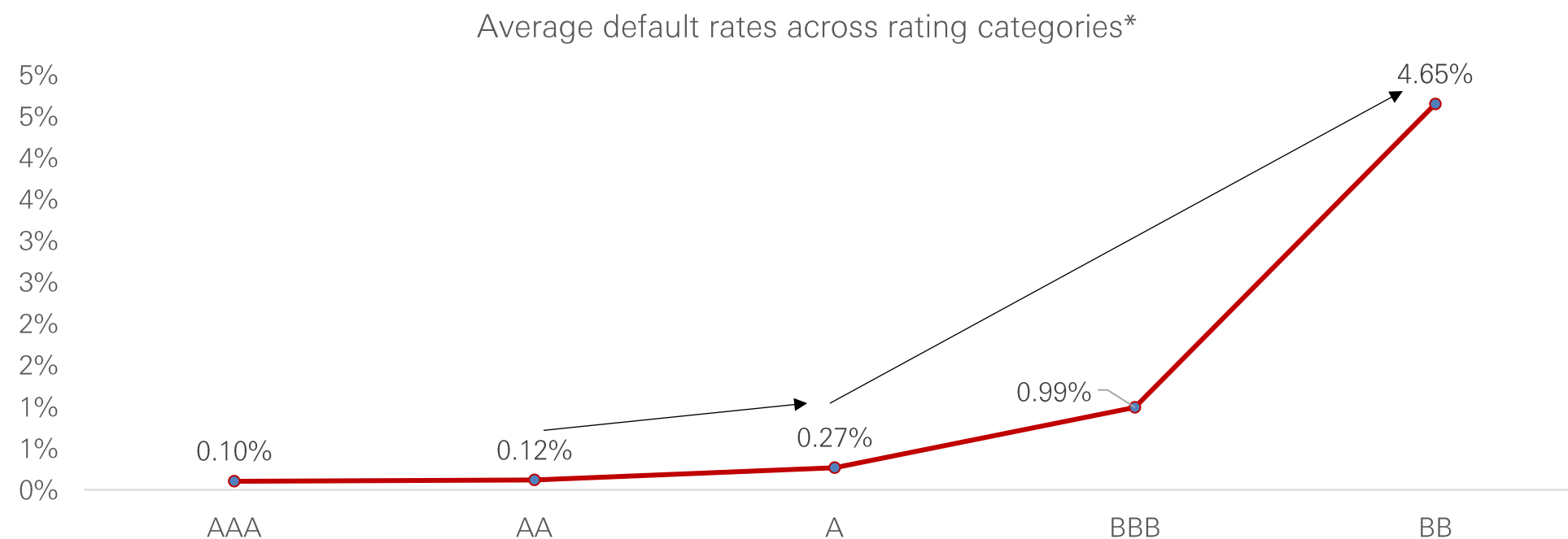
Move from fixed income MFs to alternates available – Private Credit*



Cat II – AIFs came to the rescue post Debt MF framework tightening

Lack of investment alternatives pushed investors to consider riskier products

- ♦ Category II AIFs offer **higher yield potential** but investors trade off **liquidity, transparency, and diversification**.
- ♦ For certain HNIs, these risks are often acceptable within a diversified portfolio, but careful due diligence on fund managers and underlying deals is essential.



*taken as average for ICRA, CRISIL, CARE and IND-Ra: 1-year transition for 10 yr cohorts 2015-2025

Credit default risks increase 4x when moving from A to BBB category and over 17x when moving to BB category investments

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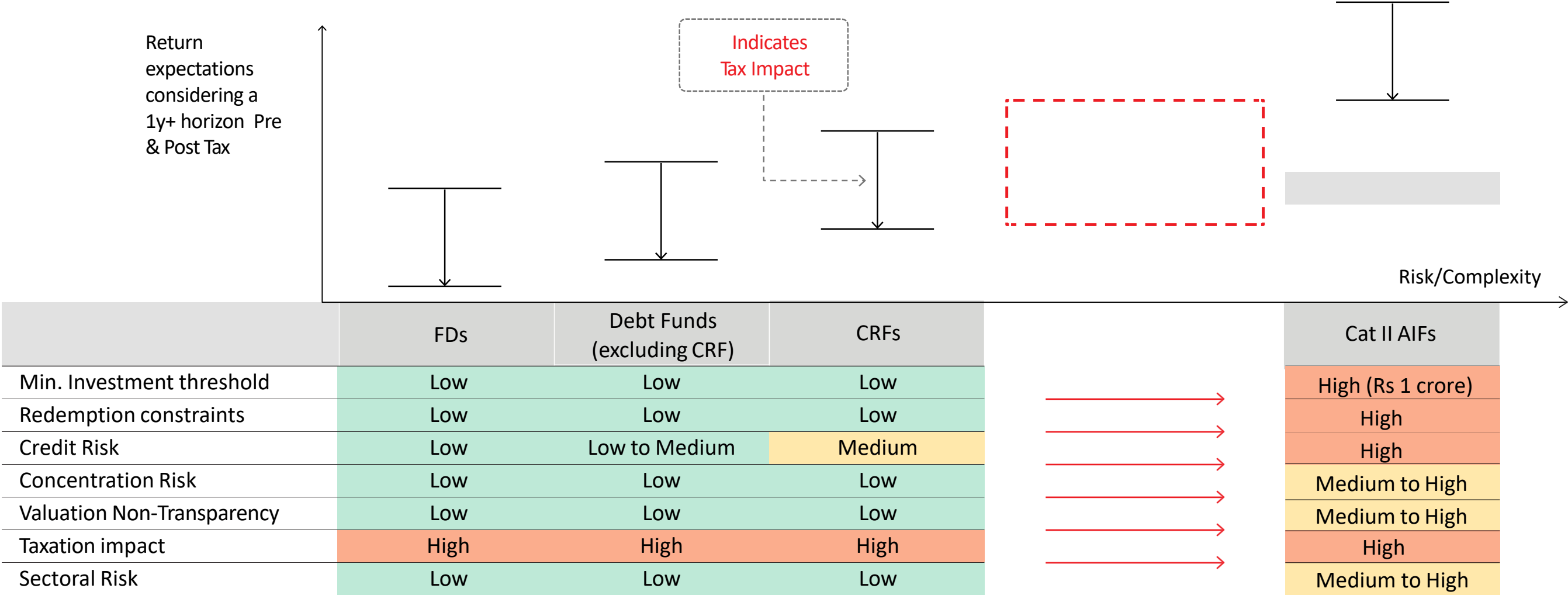
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Product gap in the
market today



Overall landscape of fixed income investing - Pre and Post Tax returns

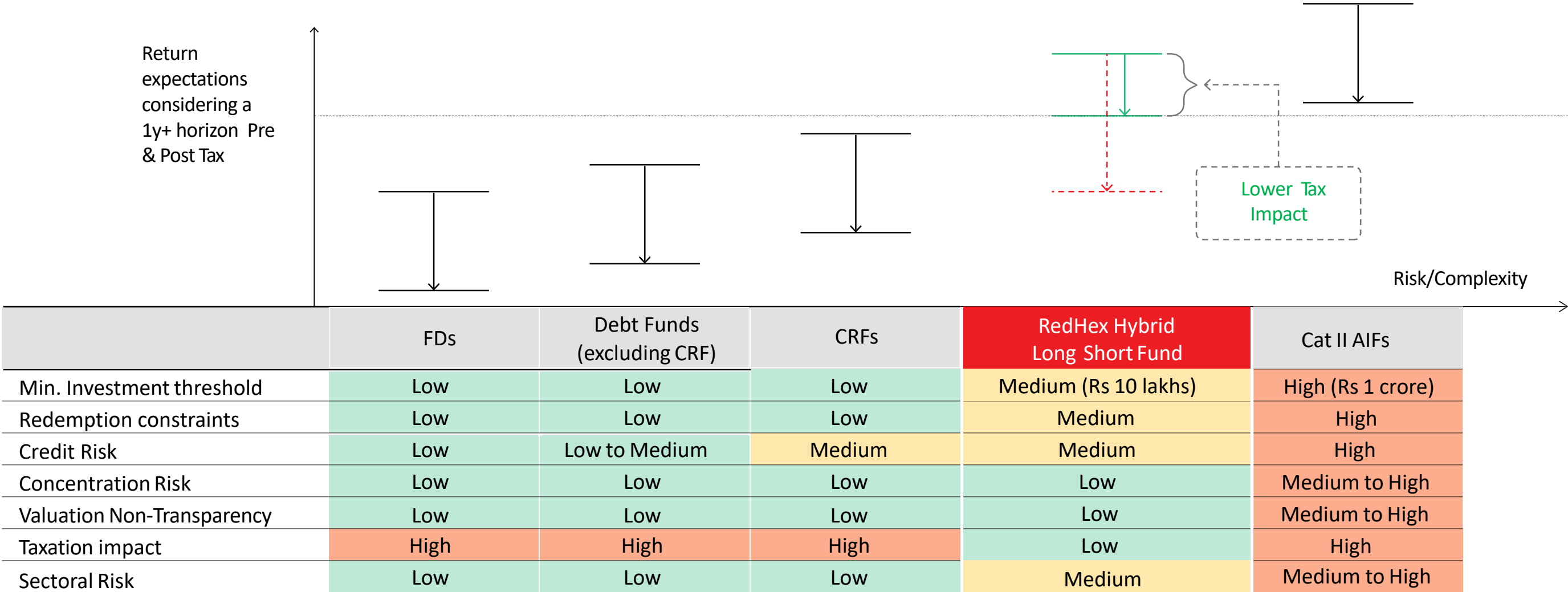
Significant gap currently exists when considering the risk-return matrix of fixed income investments



Investors have to take on significantly higher risk/illiquidity when investing in AIFs, to achieve higher returns

Overall landscape of fixed income investing - Pre and Post Tax returns

An intermediate investment that combines the regulatory transparency of MFs with portfolio flexibility



Uniquely positioned to serve targeted investment needs

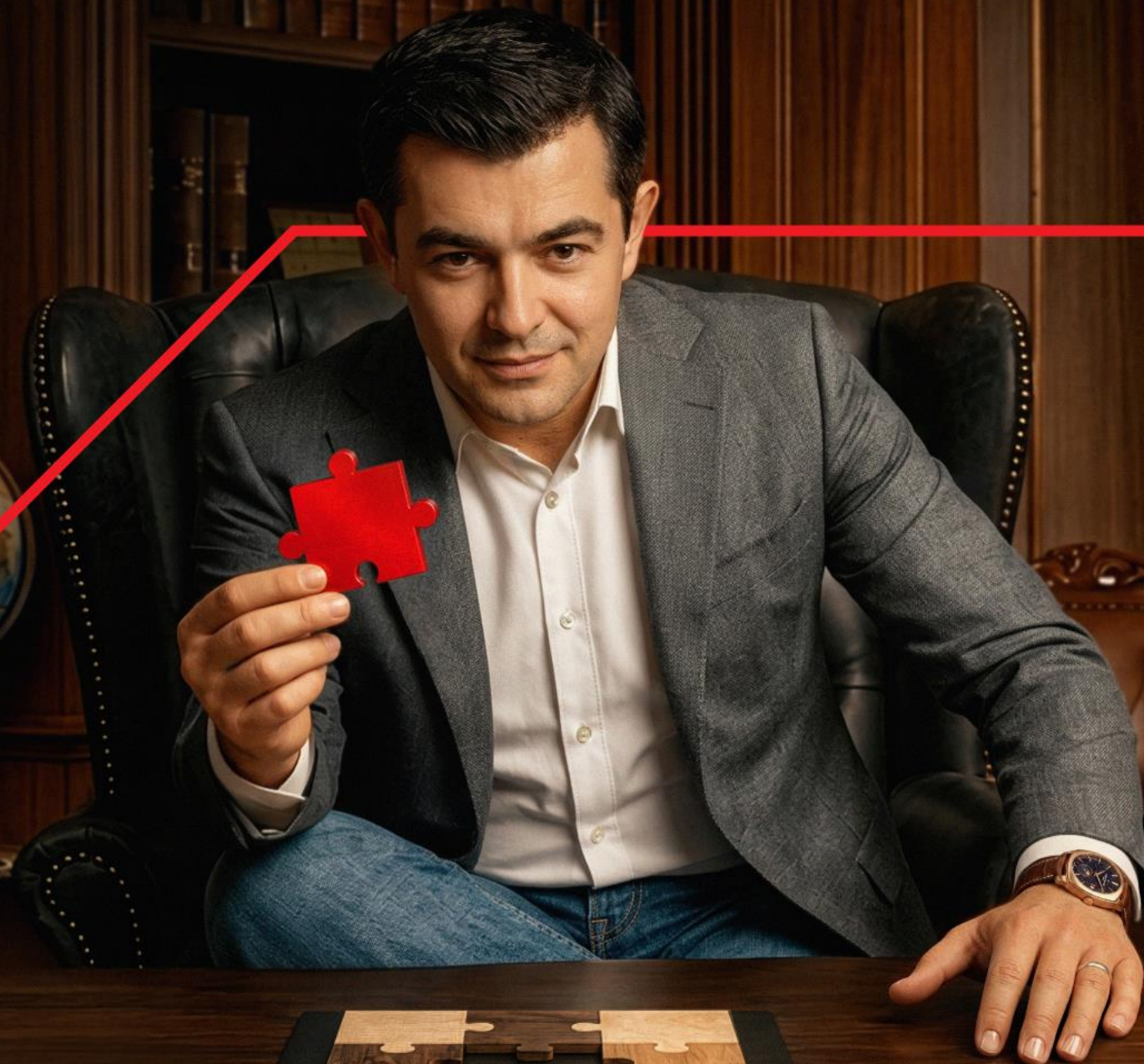
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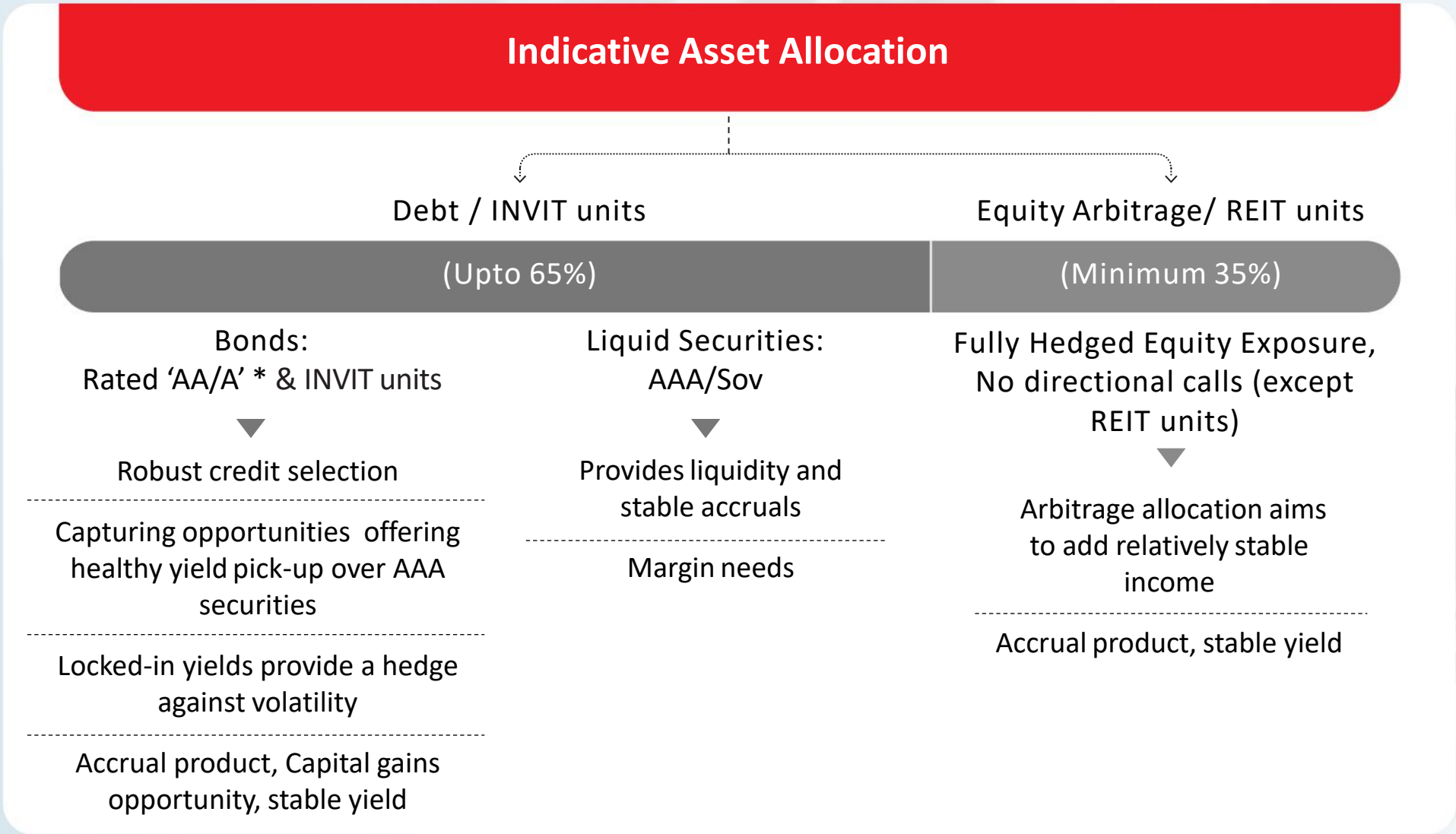
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Portfolio Construct



Portfolio Construction – target allocation

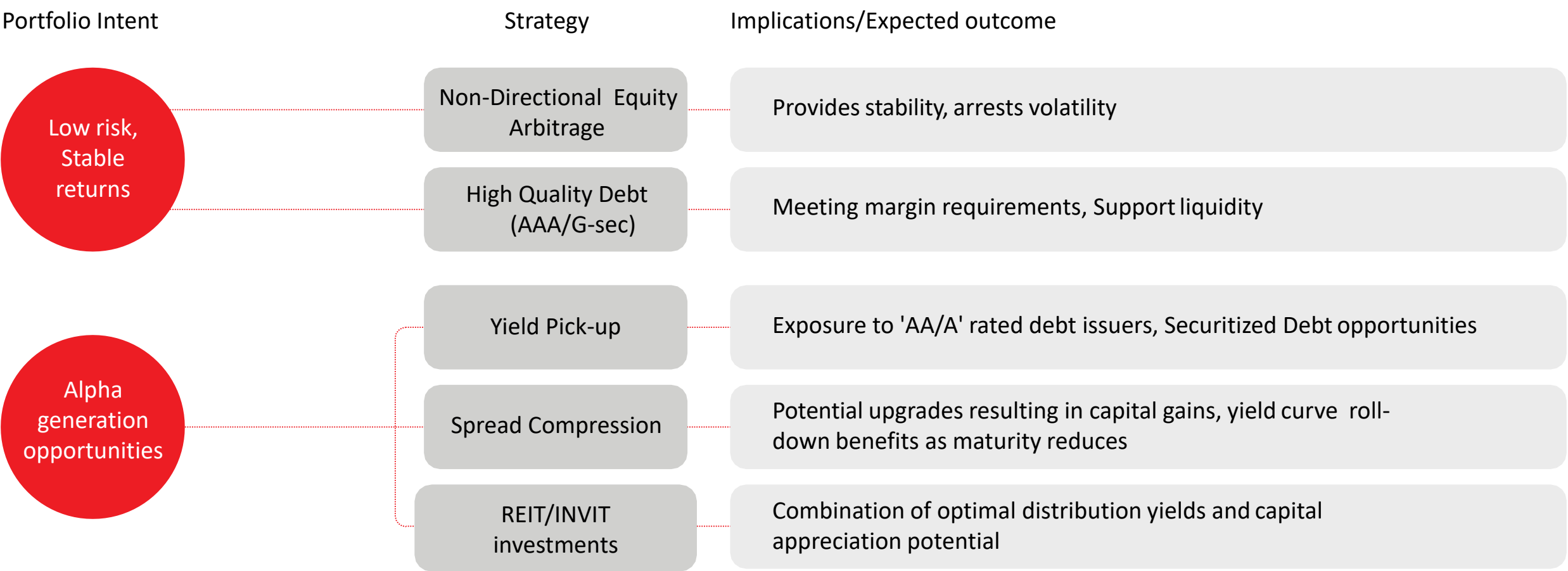
Diversification across segments, sectors, issuers

	Equity exposure		Debt exposure			
Segments	Arbitrage	REIT units	AAA / Gsec / SDL	Financial Services		Non-Financials
Targeted allocation	25-35%	0-10%	10-15%	20-25%		15-20%
Instrument	-	Units	Bonds	Bonds (10-15%)	PTCs (10-15%)	Bonds
Average tenor	-	-	3-5 years	1-2 years		1-2 years
						-

- ◆ Utilizing multiple yield enhancement opportunities across segments
- ◆ Diversified across multiple sectors and issuers
- ◆ Controlled duration risk given the overall maturity of the fund likely to remain in 1-2 years

Portfolio Construction

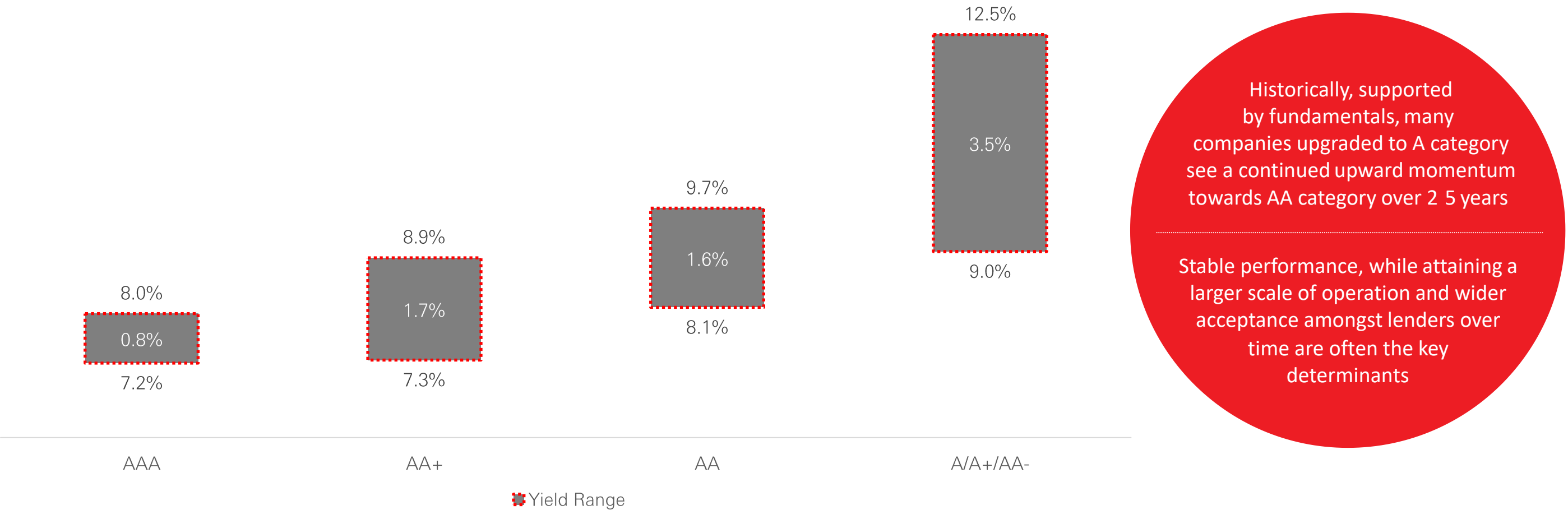
A 50:50 mix of stability and alpha generation opportunities



Credit selection to identify 'A' category names with upgrade/spread compression

Given the proven track record of 'A' rated players, significant unlocking potential for further upgrades

Current bond yield ranges across rating segments for 1.5-3yr tenors



Back-testing: Tax-Advantage Over Standalone Arbitrage Funds and Debt Funds

Comparison of back-tested returns of debt fund indices, arbitrage index and illustrative back-tested index

Pre Tax					Post Tax				
1-year Rolling Return (over 2 years)	NIFTY Corporate Bond Index A-II	NIFTY 50 Arbitrage Index	Crisil A Short Term Bond Index	15% NIFTY Corporate Bond Index A-II, 35% NIFTY 50 Arbitrage Index and 50% Crisil A Short Term Bond Index	1-year Rolling Return (over 2 years)	NIFTY Corporate Bond Index A-II	NIFTY 50 Arbitrage Index	Crisil A Short Term Bond Index	15% NIFTY Corporate Bond Index A-II, 35% NIFTY 50 Arbitrage Index and 50% Crisil A Short Term Bond Index
Average	7.33%	7.47%	11.78%	9.61%	Average	4.47%	6.36%	7.19%	8.17%
Min	4.28%	6.85%	10.49%	8.28%	Min	2.61%	5.82%	6.40%	7.05%
Max	9.30%	8.05%	14.21%	11.32%	Max	5.67%	6.85%	8.67%	9.63%
Volatility	1.19%	0.19%	0.57%	0.53%	Volatility	1.19%	0.19%	0.57%	0.53%

For illustrative purposes only. Tax calculations above are considering a holding period of >12 months.
Tax is calculated for long term with the holding period in the above illustration. Following tax rates applicable to Debt and Arbitrage Funds have been considered:
Nifty 50 Arbitrage Index: STCG (<12 months) - 20% and LTCG (>12 months) - 12.50%+surcharge + cess or 14.95%; Nifty Corporate Bond Index A-II: Slab Rate (39%); Crisil A Short Term Bond Index: Slab Rate (39%).
Illustrative Back-test: (<12 months) - Slab rate and LTCG (>12 months) - 12.50%+surcharge + cess or 14.95%; No expenses have been considered for the above index/merged index calculations.
Source: MFI, Crisil, HSBC MF. Data based on daily rolling returns from 10 May 2024 – 10 May 2026. @The data is based on simulation using the back-tested data and is for illustration purposes only. The same is not to be construed as return guidance in any manner whatsoever. Returns are CAGR. It should not be construed as investment advice to any party or a promise on minimum returns and safeguard of capital. Past performance may or may not be sustained in the future and is not a guarantee of any future returns. Investors are requested to take professional advice while making investment decisions.

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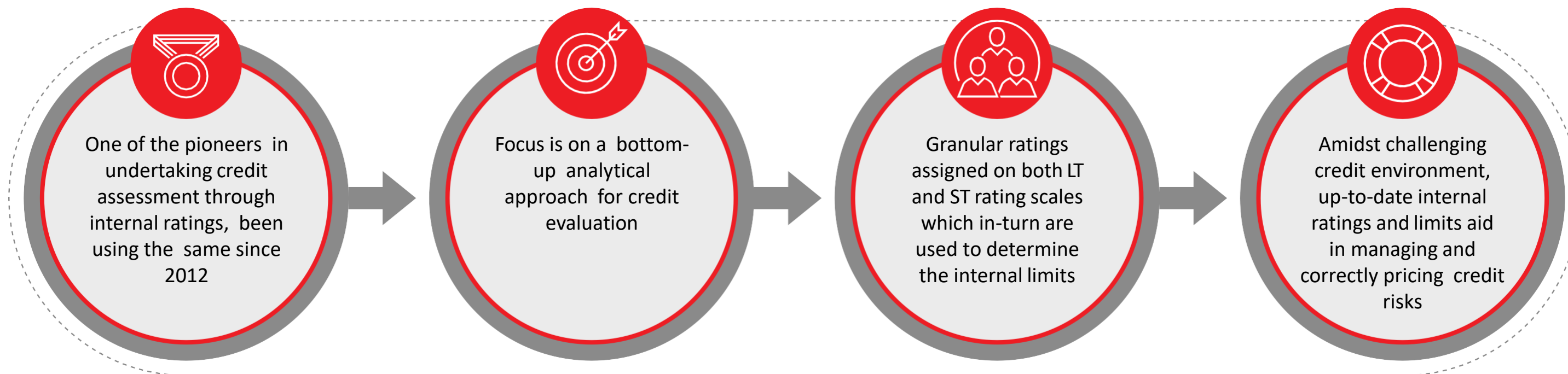
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Credit Research process



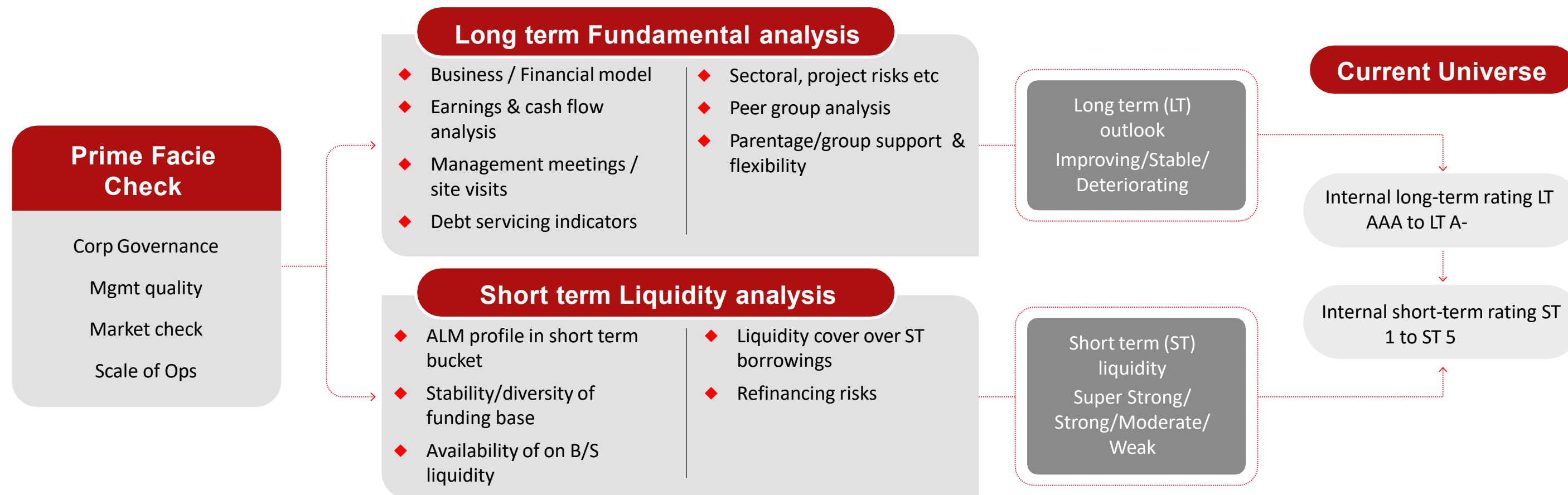
Credit Process – Internal Credit Ratings a key differentiating factor

Long-established, structured and comprehensive credit process



Credit Process – Ratings based on Rigorous Internal Assessment

Coverage initiation and assignment of internal ratings



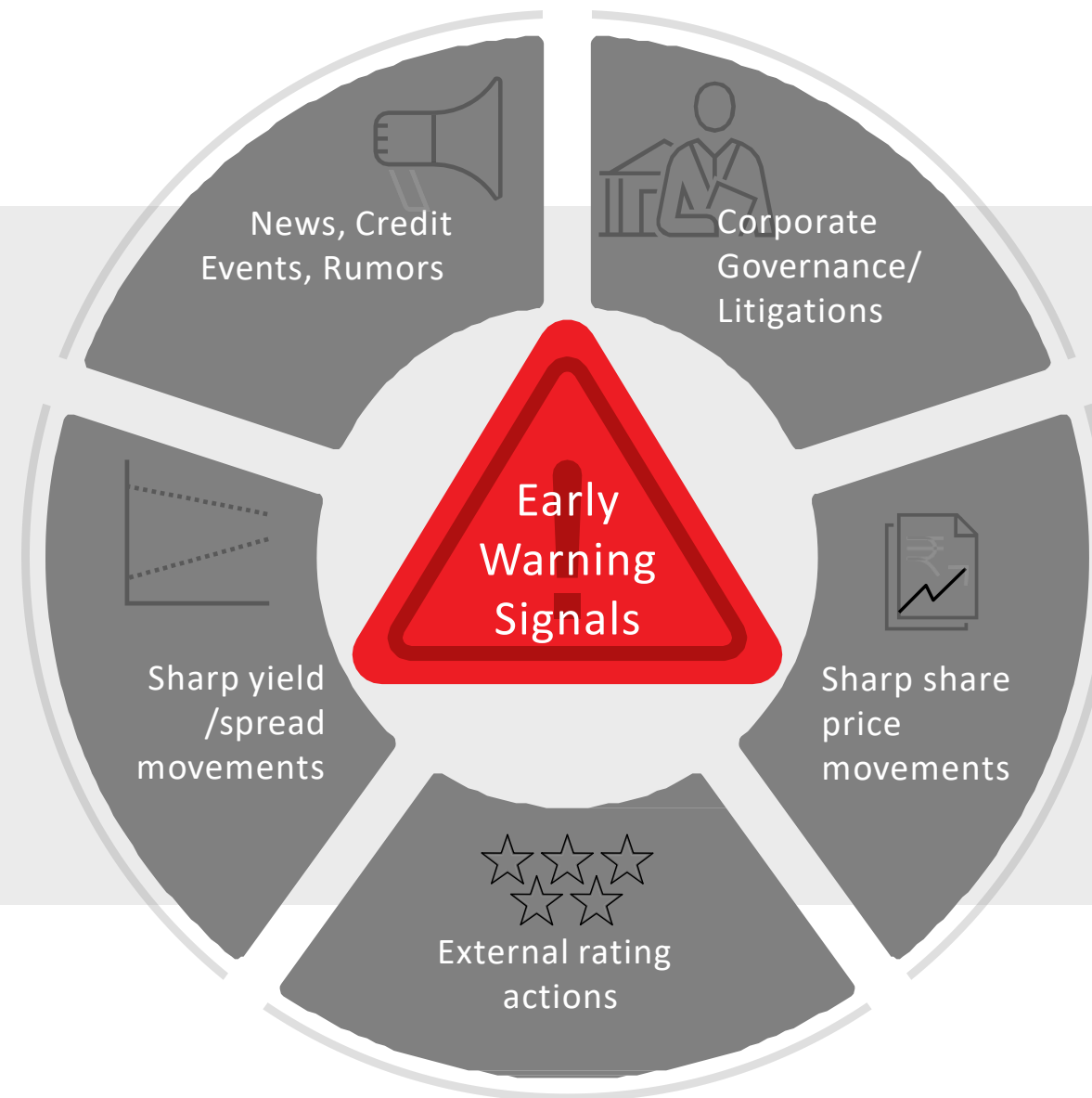
- ◆ FMs can take exposure only in names added to the coverage as per defined LT and ST limits
- ◆ While all ratings/ limits are continuously monitored, detailed updates are periodically shared basis criticality
- ◆ Relative benchmarking based forced ranking is also undertaken for similar externally rated credits
- ◆ Rationale for notch difference with external ratings, if any, needs to be provided by the credit team

Early Warning Signals (EWS) : 5-Factor process

Alerts are broadly classified into 5 parameters

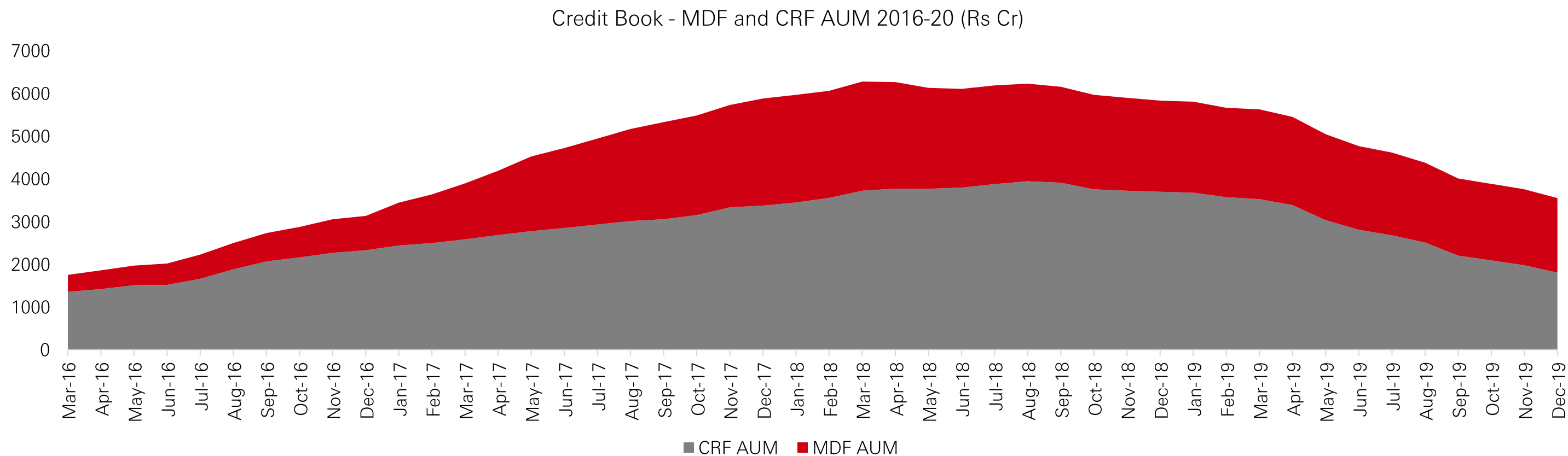
- ◆ A rigorous and enhanced process to capture EWS alerts which further strengthens the credit risk monitoring framework
- ◆ Credit team captures alerts on an ongoing basis and reports the same to fund management
- ◆ The 5-factor EWS monitoring framework as shown alongside captures all the daily events linked to issuer
- ◆ Credit team may present a detailed update based on the materiality of the above alerts and accordingly, take a timely and appropriate rating action. The issuer limit may also be placed on hold for incremental exposure

Intertwining the EWS process with regular credit updates strengthens our credit risk monitoring framework



Track Record of managing a large sized credit exposure book in the past

Combined HSBC Medium Duration Fund and HSBC Credit Risk Fund books were ~6500 Cr at the peak



- ◆ Track record of managing allocations and redemptions
- ◆ Credit process and methods have seen a seasoning across credit cycles

Fund details

Investment Strategy name	RedHex Hybrid Long Short Fund
Category of Investment Strategy	Hybrid Long-Short Fund
Investment Objective	The investment objective of the Investment Strategy is to generate regular returns and capital appreciation by investing in fixed income securities and equity and equity related securities including limited short exposure in equity and debt through derivatives. There is no assurance that the investment objective of the Investment Strategy will be achieved.
Type of Investment Strategy	An interval investment strategy investing in equity and debt securities, including limited short exposure in equity and debt through derivatives
Benchmark	NIFTY 50 Hybrid Composite Debt 50:50 Index
Fund Manager	Debt portion, InvITs and REITs: Shriram Ramanathan Equity: Venugopal Manghat, Arbitrage: Praveen Ayathan, Foreign Securities: Mayank Chaturvedi
Exit Load	If the units are redeemed/ switched out on or before 1 years from the date of allotment – 2% of the applicable NAV. If the units are redeemed/switched out after 1 years from the date of allotment – Nil
Subscription frequency	Daily (all business days)
Redemption frequency^	Every Monday of the week
Min application amount	Rs. 10,00,000/- and in multiple of Rs 1/- thereafter. For Accredited Investors – Rs. 1,00,000/- and in multiple of Rs 1/- thereafter
Notice Period	10 working days (Investors placing requests for redemption/Switch Out /STP OUT shall receive/transfer the value of units based on the fund’s NAV at the end of the notice period.)

Source: HSBC Asset Management India

^Redemption requests will be subject to Notice Period (defined below) and will be processed once a week (Every Monday*) as under: a. Redemption application received up to Monday* (before 3.00 pm cut-off time) will be processed at the NAV applicable at the end of the Notice Period. b. Redemption application received on or after Monday* (after 3.00 pm cut-off time on Monday*) will be processed on next Monday* at the NAV applicable at the end of the Notice Period. *Next business day in case Monday is a non-business day.

Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Refer to the INVESTMENT STRATEGY INFORMATION DOCUMENT (ISID) for more details on minimum investment amount and other details

Document remediated as per WCAG 2.2 Level AA standards

Our Investment Team

Fund Manager



Shriram Ramanathan
CIO - Fixed Income



Praveen Ayathan
SVP & Head Dealing Equities



Venugopal Manghat
CIO - Equity



Mayank Chaturvedi
VP - Equity

Research Team



Ankit Patel
Head of Research -
Credit - Fixed Income



Tushar Bharambe
SVP – Credit Research



Kunal Mehra
VP – Fixed Income

Dealing



Amit Mahadik
VP – Fixed Income (Dealing)



Sonakshi Mata
VP – Fixed Income (Dealing)

Why add RedHex Hybrid Long-Short Fund to your portfolio...

Targeting high accrual benefits and low volatility	Core allocation to arbitrage and fixed income aims to deliver stable returns. Alpha generation by way of steady accruals driven by participation in credit opportunities
Fit for all seasons	Consistent credit exposure aims to generate healthy absolute income levels, irrespective of overall market direction in the medium term, liquidity sleeve and arbitrage provide sufficient liquidity management to meet any short-term liquidity needs
Tax and risk return efficiency	Investors benefit from long-term capital gains taxed over 1-year for listed and 2-years period for unlisted at 12.5%, making post-tax returns highly competitive compared to Cat II AIFs with higher credit risk strategies and nil liquidity (closed ended)
Robust risk management	Active management and strict strategy level risk controls help reduce portfolio volatility, provide downside protection, and deliver more stable outcomes
Experienced investment team	Managed by a highly experienced specialized team with experience across strategies including derivatives and special situations

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Annexure



Product Labeling

To provide investors an easy understanding of the kind of product / investment strategy they are investing in and its suitability to them, the product labeling is as under:

RedHex Hybrid Long-Short Fund

(An interval investment strategy investing in equity and debt securities, including limited short exposure in equity and debt through derivatives)

This product is suitable for investors who are seeking*:	Investment strategy Risk band	Benchmark Risk band
➤ Income and capital appreciation over medium to long term ➤ Investment in fixed income as well as equity and equity related securities	RISK BAND LOWER RISK 12345 HIGHER RISK RISK LEVEL 2	As per AMFI Tier I Benchmark Index: NIFTY 50 Hybrid Composite Debt 50:50 Index RISK BAND LOWER RISK 12345 HIGHER RISK RISK LEVEL 2

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.
The product labelling of the Scheme available as on the date of this communication/disclosure 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.

Product Labeling

Scheme name and Type of scheme	*Scheme Risk-o-meter	Benchmark Risk-o-meter (as applicable)
HSBC Medium Duration Fund (An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years (please refer to page no. 12 in the SID for details on Macaulay’s Duration). Relatively high interest rate risk and moderate credit risk.) This product is suitable for investors who are seeking*: • Generation of income over medium term • Investment primarily in debt and money market securities	 The risk of the scheme is Moderate Risk	 The risk of the benchmark is Moderate Risk As per AMFI Tier 1. Benchmark Index: NIFTY Medium Duration Debt Index A-III

Scheme name

HSBC Medium Duration Fund

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

A Scheme with Relatively High interest rate risk and Moderate credit risk.

Scheme name and Type of scheme	*Scheme Risk-o-meter	Benchmark Risk-o-meter (as applicable)
HSBC Credit Risk Fund (An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds). A relatively high interest rate risk and relatively high credit risk.) This product is suitable for investors who are seeking*: • Generation of regular returns and capital appreciation over medium to long term • Investment in debt instruments (including securitized debt), government and money market securities	 The risk of the scheme is Moderately High Risk	 The risk of the benchmark is Moderately High Risk As per AMFI Tier 1. Benchmark Index: NIFTY Credit Risk Bond Index B-II

Scheme name

HSBC Credit Risk Fund

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

A Scheme with Relatively High interest rate risk and High credit risk.

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

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.

Disclaimer

Disclaimers

Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Note – Views provided above are based on information available in public domain and subject to change. Investors should not consider the same as investment advice and requested to consult their financial advisor for any investment decision applicable to their investment appetite.

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Investments in Specialized Investment Fund involves relatively higher risk including potential loss of capital, liquidity risk and market volatility. Please read all investment strategy related documents carefully before making the investment decision.

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