HSBC Mutual Fund

A fund with a range of shots.

To face all market deliveries.

Introducing
HSBC Multi Asset Allocation Fund

(An open ended scheme investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs)

NFO Dates:
8 - 22 February 2024

Frequently asked questions

Q1 Why should investors consider investing in the Multi Asset Strategy in the current market environment?

Ans: The Multi Asset Strategy offers an investment approach that aims to optimize returns while effectively managing risks. By diversifying funds across various asset classes, this strategy ensures a well-balanced and diversified investment portfolio. It allows investors to benefit from investing in different asset classes through a single product. The Multi Asset Strategy is specifically designed as a solution-oriented portfolio, addressing the specific needs of investors. This category is particularly suitable for individuals seeking reasonable returns with lower volatility compared to equity products. In the current market environment, there are several positive macroeconomic factors supporting both Indian equity and Indian fixed income investments.

Our Present Equity Views

India starts 2024 on a strong footing with positive growth momentum.

(1) We may expect India's manufacturing sector to be on a resilient medium-term growth trajectory, bolstered by strengthening underlying drivers.

(2) We may expect the government's infrastructure push to persist. With the capacity utilization level rising, private investment will also pick up.

(3) The combination of escalating power demand, thriving capital markets, and the imperative to reduce carbon footprint is anticipated to propel private investments into renewable energy.

(4) The government's Production Linked Incentive (PLI) scheme is contributing to the expansion of manufacturing capacity in sectors such as renewable energy, electronics, and other emerging technology areas.

(5) Localization initiatives and global supply chain adjustments are fostering capacity enhancements across various manufacturing verticals.

(6) Real estate, having withstood the impact of higher interest rates, remains a potent medium-term growth driver.

(7) We may expect pickup in investment cycle to help support credit growth in 2024.

(8) We are confident that the banking system is well-equipped to support this trajectory, given its robust and continually improving asset quality.

(9) Lastly, we may foresee an upturn in consumption as the impact of high inflation wanes, paving the way for resurgence in real incomes.

Our Present Fixed Income Views

(1) In the current economic landscape, global interest rates have reached their peak, and any concerns about growth or financial stability may lead to further declines in yields.

(2) The Consumer Price Index (CPI) is projected to align with RBI expectations, starting at 5.4% for FY 2024 and gradually decreasing to 4.5% in FY 2025.

(3) Fiscal deficit is consolidating, standing at 5.9% of GDP for FY 2024, with a likely reduction to 5.4% of GDP in FY 2025.

(4) The Current Account Deficit is expected to remain below 2% for FY 2024/2025 and the Balance of Payments surplus is set to bolster RBI reserves.

(5) The inclusion of Indian Government Bonds in global indices is expected to bring in USD 25-50 billion of inflows.

(6) The RBI may likely to shift towards an easing bias in Q2/Q3 FY 2025 with two rate cuts by March 2025.

(7) Unlike Overnight Indexed Swap (OIS), cash bonds are not factoring in any rate cuts.

Our Present Commodities Views

(1) Central bank demand, primarily from Emerging Market institutions, was a significant contributor to gold prices.

(2) Softening Bond Yields, expectations of Fed rate cuts due to dovish Fed stance provided a boost to the prices.

(3) Geopolitical risks continue to bubble in the Middle East adding to near-term inflationary risks, thereby increasing demand for Gold as safe haven.

(4) Emerging market demand contributed to drive gold prices to record highs.

Investing in the Multi Asset Fund in the current market environment can be a prudent choice for several reasons. The primary concern in equity markets is high valuations which often leads to downside . When valuations are higher than long term averages, investing solely in equity products may expose investors to unnecessary risks. Multi Asset Allocation Fund offers a well-thought-out solution to this challenge by taking exposure to other asset classes which may protect downside and reduce volatility.

As experienced asset managers, we understand that while equity valuations may be high, the fundamentals remain strong. Therefore, it is crucial for investors not to miss out on the potential benefits of investing in equity. The Multi Asset Allocation Fund allows investors to participate in equity with lower volatility, which is the key to navigating the current market environment successfully.

In addition to the traditional hybrid and conservative hybrid products, the Multi Asset Allocation Fund takes a step further by incorporating investments in commodities such as Gold and Silver or any other asset class as per the offer document. These precious metals have been observed to have a negative correlation with equity in the Indian markets. During times of uncertainty or market corrections, Gold and Silver tend to perform well, providing a natural hedge against volatility.

By including Gold and Silver in the portfolio, the Multi Asset Allocation Fund offers a combined strategy that not only provides hedging but also positive hedging. This unique approach adds significant value to the investment proposition. While we do not take a specific view on Gold or Silver, we recognize their negative correlation with equity markets. This understanding allows us to leverage Gold and Silver as a means to mitigate volatility and enhance risk-adjusted returns for investors.

In summary, the Multi Asset Allocation Fund is designed to address the concerns of high valuations and increased volatility in the current market environment. By offering a combined strategy that includes equity, debt, Gold, and Silver, the fund aims to provide investors with a comprehensive solution. This approach not only lowers volatility but also enhances risk-adjusted returns, making the Multi Asset Allocation Fund an attractive investment option for those seeking stability and growth in their portfolios.

Q2 How does HSBC Multi Asset Allocation Fund differ in terms of Grid from our existing Hybrid Funds?

Ans: HSBC Multi Asset Allocation Fund stands out from our existing Hybrid Funds due to its unique grid structure. Unlike traditional hybrid products, our Multi Asset Fund allows for investment in gold and silver ETFs, with a mandated minimum allocation of 10% and the flexibility to go up to 25% as per Asset allocation of the scheme.

HSBC Multi Asset Allocation Fund provides a wider range for un-hedged equity allocation i.e., 65-80%, giving investors greater flexibility and higher exposure to equity in their portfolios.

Furthermore, while the Balanced Advantage Fund employs a dynamic range for its un-hedged equity component based on a valuation model, HSBC Multi Asset Allocation Fund takes a different approach. Instead, this fund offers active management of allocation across various asset classes, ensuring that investors benefit from our expertise and strategic decision-making. Our fund also offers investors a certain minimum exposure to all the asset classes including Gold / Silver which may ensures that investors get to participate in the growth of different assets but with reduced volatility.

One notable feature of our Multi Asset Fund is its positioning as an equity fund. This means that despite the allocations in Gold/Silver ETFs and fixed income, the fund enjoys tax benefits associated with equity taxation. This unique advantage sets our fund apart from the competition and provides additional incentives for investors.

Asset Allocation:

Type of Instruments	Indicative allocation (% of net assets)	Risk Profile
Equities & Equity related instruments	65% - 80%	Very High
Debt & Money Market Securities	10% - 25%	Low to Moderate
Gold / Silver ETFs	10% - 25%	Moderate to High
Units of REITs and InvITs	0% - 10%	Very High

Note: Please refer to Scheme Information Document (SID) for more detail on Asset Allocation table

Q3 How will HSBC Multi Asset Fund equity component managed?

Ans: The responsibility of managing the equity component of HSBC Multi Asset Allocation Fund lies with Ms. Cheenu Gupta, an experienced Senior Vice President with a remarkable 18-year career in Equity Fund Management. Ms. Gupta has worked with renowned institutions such as L&T Investment Management, Canara

Robeco AMC, and Tata AIA Life Insurance. With her expertise as a CFA charter holder and a gold medalist in Finance from S.P. Jain, Mumbai, Ms. Gupta has developed a comprehensive strategy for this fund.

For more details, please refer to Scheme Information Document (SID) and Statement of Additional Information (SAI) available on website of HSBC Mutual Fund.

When it comes to the portfolio construction strategy, Ms. Gupta follows a meticulous approach. She carefully selects companies that demonstrate good corporate governance and possess unique business models with a growth trajectory. These companies may be known for their efficiency in execution and their ability to benefit from market trends, whether they are cyclical or regulatory in nature.

The investment strategy focuses on bottom-up stock picking along with top-down approach and emphasizes companies with a higher return on capital employed (ROCE) and return on equity (ROE). Additionally, part of the equity portfolio is dedicated to theme-based and turnaround companies. Turnaround companies refer to those that undergo changes in management, regulatory scenarios, or are affected by cyclical reasons.

Fund will follow flexicap approach and invest across market caps based on prevailing valuation comfort. This allocation ensures a well-diversified portfolio that captures opportunities across different market segments, allowing for potential growth while managing risks effectively.

In summary, Ms. Gupta's extensive experience and expertise, combined with her meticulous investment strategy, make her the ideal choice to manage the Multi Asset Allocation fund. Her focus on selecting companies with strong fundamentals and growth potential, along with a disciplined approach to portfolio construction, aims to generate long-term value for investors while effectively managing risk.

Q4 How will the debt portfolio be managed?

Ans: The responsibility of managing the debt component of HSBC Multi Asset Allocation Fund lies with Mr Mahesh Chhabria who is a Fund Manager – Fixed Income at HSBC Mutual Fund. Mahesh has 13 years of experience in the fixed income markets in India.

Mahesh has worked with renowned institutions such as L&T Investment Management as Fund Manager - Fixed Income managing Liquid, Ultra Short and Money Market Funds. He was also associated with Edelweiss Securities Ltd and FIL Fund Management Pvt. Ltd. Mahesh holds Masters in Management Studies (Finance Specialization) from Mumbai University.

The debt segment will be managed with a focus on high-quality corporate bonds and Government of India securities. While the fund aims to invest in securities across the curve, it may predominantly focus on the short to medium end.

For more details, please refer to Scheme Information Document (SID) and Statement of Additional Information (SAI) available on website of HSBC Mutual Fund.

Q5 Will you take exposure to the international equity market basket and leverage international investments?

Ans: Depending on the opportunities in international markets, Multi Asset Allocation fund may evaluate investing in international equities. The fund may take a tactical call and may allocate up to 30% of the portfolio to international securities. This decision will be based on careful consideration of market conditions, and the fund will leverage insights provided by HSBC Global Asset Management’s AMC's extensive global research and expertise.

Q6 What would be the tax implications?

Ans: Equity Taxation at all points in time. In case the fund manager would like to reduce equity position, the fund manager would use arbitrage to increase the hedged position and thus reduce un-hedged equity but can maintain equity taxation at all points of time.

Note : Investors should consult their tax consultant if in doubt about whether the product is suitable for them.

Q7 How is the allocation of Equity, Debt, Gold, and Silver determined in the Multi Asset Strategy scheme? Is there a specific logic behind this allocation?

Ans: In the HSBC Multi Asset Allocation Fund, the allocation of Equity, Debt, Gold, and Silver is carefully determined to create a well-balanced portfolio that aims to have lower volatility compared to other standalone equity investment options. The ideal portfolio construct would be as follows:

Equity: 65% (minimum) to 80% allocation

- Actively managed portfolio of companies across market caps
- Typical equity allocation may range between 65% to 80%
- Asset re-allocation could be undertaken basis changes in a market / asset class outlook of the Fund House
- Approach: Blended – Top down + Bottom up
- Style: Blended: Growth and Value

Debt - 10% (minimum) to 25%

- Aims to invest in high quality assets including GoI securities, Corporate bonds, Money market instruments to generate alpha with active duration management

- Aims to build a liquid portfolio to enable positioning changes based on evolving scenario
- Focus on the short to medium end of the curve

Gold / Silver ETFs – 10% (minimum) to 25%

- Gold/Silver allocation is expected to be around 10% to 25%
- Aim to compensate volatility when situation arises and support growth over a long term through Gold / Silver

Arbitrage

- In certain market situations or if market outlook is negative, Equity portion can be used for arbitrage with an aim to lower a downside impact
- In case of extreme events Arbitrage can help reduce volatility and improve overall performance

This comprehensive allocation strategy will help to ensure that the multi asset scheme offers investors a well-diversified and balanced investment opportunity.

Note : Please refer to the Scheme Information Document (SID) for more details on Asset Allocation of the scheme

Q8 How do the returns of proxy asset allocation compare to those of individual asset classes (equity, debt, gold /silver)?

Ans: To test the benefit of asset allocation, we compared the returns, volatility, and risk-adjusted returns under individual asset classes -- equity, debt, gold/silver -- with combination of those assets in various allocations since 2007. The multi asset allocation combination fares well on all the parameters – returns, volatility and risk-adjusted returns.

Rolling Returns	Parameters	Multi Asset Strategy	Nifty 50 TRI	Debt (100%)	Gold (100%)	Silver (100%)
1 Year	Average	11.9%	13.0%	7.6%	13.2%	11.9%
	Minimum	-38.0%	-55.4%	-0.5%	-17.3%	-29.9%
	Maximum	73.4%	100.2%	15.8%	55.1%	159.7%
	Volatility	14.8%	22.9%	3.7%	15.1%	28.9%
3 Years	Average	11.7%	12.1%	7.8%	11.5%	9.6%
	Minimum	-0.1%	-4.5%	4.1%	-8.0%	-17.3%
	Maximum	27.5%	32.4%	12.9%	35.4%	52.4%
	Volatility	3.9%	6.1%	1.8%	9.8%	15.7%
5 Years	Average	11.0%	11.4%	8.0%	10.3%	6.8%
	Minimum	2.3%	-1.0%	5.5%	-2.0%	-11.6%
	Maximum	19.4%	21.8%	10.4%	28.5%	28.0%
	Volatility	2.5%	4.2%	1.1%	7.5%	9.9%

Equity represented by Nifty 50 TRI, Debt by CRISIL Composite Bond Fund Index, Gold by MCX/ spot gold prices (PM) (per 10 gram), Silver by MCX / spot silver prices (PM), Multi Asset Strategy = Equity (65%) + Debt (20%) + Gold (10%) + Silver (5%), Daily rolling performance with 1, 3 and 5-year rolling frequency / volatility, Volatility= Annualised Standard Deviation of daily weighted return,

Source: NSE, CRISIL, Data as on 31 December 2023. Performance results may have inherent limitations, and no representation is being made that any investor will or is likely to achieve.

Data period 1 Jan 2007 to 31 Dec 2023.

Notes: Views are personal. Investors should not consider the same as investment advice. Past performance may or may not be sustained in future and is not a guarantee of any future returns. Investors should consult their financial advisor for any investment/taxation related decisions.

Source: NSE, CRISIL, Bloomberg, SID & HSBC MF estimates as on Dec 2023 end or as latest available

Equity represented by Nifty 50, Debt by CRISIL Composite Bond Fund Index, Gold by MCX/ spot gold prices (PM) (per 10 gram), Silver. For risk adjusted returns, risk free rate has been considered at 6% (average of 91-days T-Bill cutoff yields between Jan 2007- Dec 2023)

Past performance may or may not be sustained in the future and is not indicative of future results.

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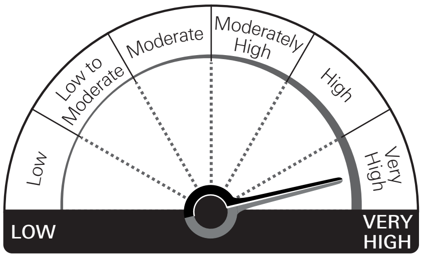
HSBC Multi Asset Allocation Fund
(An open ended scheme investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs)

This product is suitable for investors who are seeking*:

- Long term wealth creation
- Investment in equity and equity related securities, fixed income instruments and Gold / Silver ETFs

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

***Riskometer of the Scheme**

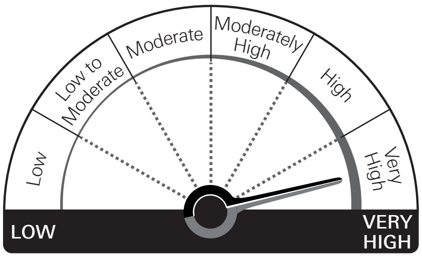


Investors understand that their principal will be at Very High risk

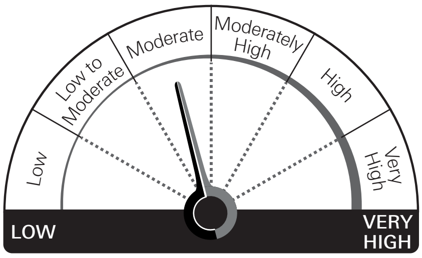
Riskometer of the Benchmarks

S&P BSE 200 TRI (65%) + NIFTY Short Duration Debt Index (20%) + Domestic Price of Gold (10%) + Domestic Price of Silver (5%)

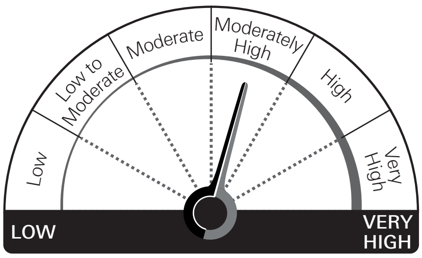
S&P BSE 200 TRI



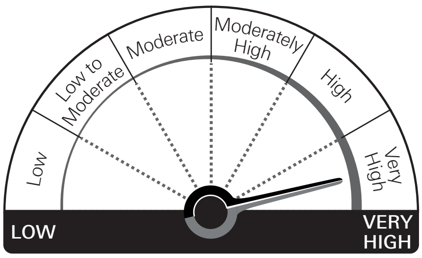
NIFTY Short Duration Debt Index



Domestic price of gold



Domestic price of silver



Product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

Views are based on information available in the public domain at present. Investors should not consider the same as investment advice. Please consult your financial advisor for all your investment decision.

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