HSBC Asset Management

HSBC Cash Fund (HCF)

An Open Ended Liquid Scheme. Relatively low interest rate risk and relatively low credit riska.

Date: October 2022

Fund Details

Fund Manager
Kapil Punjabi

AUM (as on 30.09.22)
3127.91 Cr

Benchmark
CRISIL Liquid Fund A-I Index [2, 3]

Inception Date
04 December 2002

Minimum Investment

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

Average Maturity	42.60 Days
Modified Duration	42.51 Days
Macaulay Duration	42.60 Days
Yield to Maturity[1]	6.27%

	Investor exit upon subscription	Exit Load as a % of redemption proceeds
Exit Load	Day 1	0.0070%
	Day 2	0.0065%
	Day 3	0.0060%
	Day 4	0.0055%
	Day 5	0.0050%
	Day 6	0.0045%
	Day 7 Onwards	0.0000%

Above Exit Load shall be applicable if switched out/redeemed within 7 Calendar Days.

Current Portfolio Strategy – Focus On High Quality Credit and Optional Liquidity

- The overnight funding cost should now move closer to 5.90% given the increase in SDF and repo rates. Excess system liquidity has also now moderated significantly post CRR hike, increase in government cash balances with RBI and forex outflows.
- The RBI's trajectory in terms of rate hikes will determine the evolution of the money market and the short end of the yield curve. In the current fiscal year, we have seen a sharp move in yields in the up to 2-year segment of the yield curve and the steepness in the curve up to 1-yr and from 1-yr to 2yr is relatively attractive, factoring in further rate hikes in the near term.
- Overall, we remain neutral on duration as markets re-price yield curve given RBI's rate hiking cycle. The focus continues to be on the accrual returns in the portfolio.

Investment Objective:

Aims to provide reasonable returns, commensurate with low risk while providing a high level of liquidity, through a portfolio of money market and debt securities. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

Product Note

1 YTM Based on invested Amount
2 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. 3 Fund's benchmark has changed with effect from April 01, 2022.

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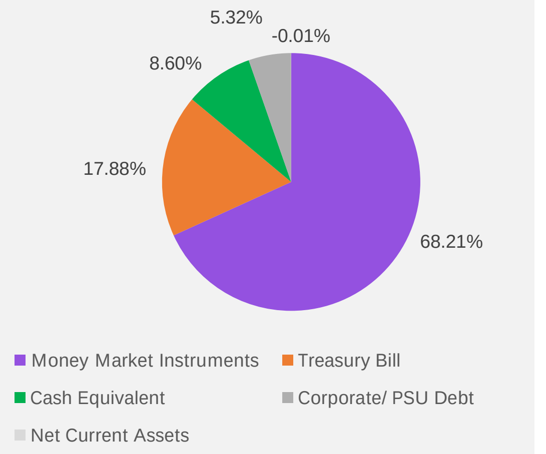
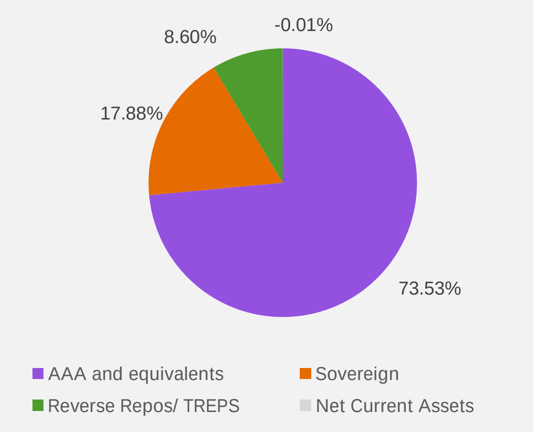
Portfolio

Issuer	Rating	% to Net Assets
Corporate/ PSU Debt		
Corporate Bonds / Debentures		5.32%
LIC Housing Finance Limited	CRISIL AAA	3.60%
L&T Finance Limited	CRISIL AAA	1.72%
Money Market Instruments		
Certificate of Deposit		13.45%
HDFC Bank Limited Top 10	CARE A1+	4.76%
Axis Bank Limited Top 10	CRISIL A1+	4.74%
Canara Bank	CRISIL A1+	2.37%
Kotak Mahindra Bank Limited	CRISIL A1+	1.58%
Commercial Paper		54.76%
National Bank for Agriculture & Rural Development Top 10	CRISIL A1+	6.38%
Reliance Retail Ventures Limited Top 10	CRISIL A1+	6.33%
Small Industries Development Bank of India Top 10	CARE A1+	6.32%
Indian Oil Corporation Limited Top 10	CRISIL A1+	5.56%
Hindustan Petroleum Corporation Limited Top 10	CRISIL A1+	4.77%
ICICI Securities Limited Top 10	CRISIL A1+	4.77%
Kotak Securities Limited Top 10	CRISIL A1+	4.76%
HDFC Securities Limited Top 10	CRISIL A1+	4.75%
Housing Development Finance Corporation Limited	CRISIL A1+	3.18%
Aditya Birla Housing Finance Ltd	ICRA A1+	3.18%
ICICI HOME FINANCE	ICRA A1+	3.17%
LIC Housing Finance Limited	CRISIL A1+	1.59%
Treasury Bill		17.88%
182 DAYS T-BILL 01DEC22	Sovereign	5.54%
364 DAY T-BILL 17NOV22	Sovereign	3.17%
182 DAYS T-BILL 22DEC22	Sovereign	3.15%
182 DAYS T-BILL 17NOV22	Sovereign	2.86%
91 DAYS T-BILL 24NOV22	Sovereign	1.58%
91 DAYS T-BILL 22DEC22	Sovereign	1.58%
Cash Equivalent		8.59%
TREPS*		8.60%
Net Current Assets:		-0.01%
Total Net Assets as on 30-SEPTEMBER-2022		100.00%

Asset Allocation



Rating Profile



Ratings allocation in HCF

Currently HCF has invested ~73.53% in instruments (AAA and equivalent), while ~17.85% held in Sovereign.

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Core Strategy

HSBC Mutual Funds Fixed Income investment team operate on three core pillars for HSBC Cash Fund:

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 Cash Fund.
   - Based on our risk norms, in HSBC Cash Fund we hold quality debt papers, apart from cash instruments. This ensures that the papers we invest in, provide adequate liquidity.
   - This is critical as capital conservation is our prime focus.

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 low 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.

Fund Positioning – HSBC Cash Fund (HCF)

To ensure optimal liquidity and better risk adjusted performance to suit the investor's requirements in various situations, our fund manager follow stringent liquidity, credit risk and interest rate risk norms.

- Liquidity risk
  In a stressed liquidity scenario, the fund manager would find it difficult to sell the Commercial Papers (CPs) as they tend to become less liquid during such time. HSBC Cash Fund aims to maintains about 40% non CPs (which comprises of liquid CDs and cash). This includes cash between 5 to 10%.

- Credit risk
  The portfolio comprises of high credit quality papers. HSBC MF follows a thorough credit evaluation process and generally aims to restrict investments to minimum A1+ entities for HCF, A1+ is the highest possible short term rating.

- Interest rate risk
  HSBC MF's internal investment policy restricts the maximum portfolio weighted average maturity of HSBC Cash Fund to 60 days. This reduces interest rate risk relative to market from adverse movements in interest rates.

Investment Guidelines

HSBC Mutual Fund's (HSBC MF) investment guidelines are more stringent than regulatory prescribed guidelines and general market practices

- HCF invests predominantly in instruments rated minimum A1+ and generally does not invest more than 60% in CPs.
- Maximum exposure for non-state owned banks generally will not exceed 5% and state owned banks exposure will not exceed 10%

Product Note

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Rationale on existing credit exposures*

1. National Bank for Agriculture and Rural Development: Incorporated in 1982 under an Act of the Indian Parliament, NABARD is governed by the NABARD Act, 1981. NABARD shares supervisory functions with RBI in respect of co-operative banks (other than urban and primary co-operative banks) and regional rural banks (RRBs). The bank is the apex refinancing agency providing short- and long-term refinance to state cooperative agricultural and rural development banks, state cooperative banks, RRBs, commercial banks, and other financial institutions approved by RBI to augment credit flow for production and investment purposes in the agriculture and rural sectors.

2. Reliance Retail Ventures Ltd (RRVL): RRVL continues to consolidate its position as India's largest retailer by revenue, scale and profits. The company's strong market position is reflected in its leadership position across several formats and has been supported by consistent revenue and profit growth. The company has been expanding its footprint by adding stores, expanding reach of its digital and new commerce platforms and enhancing product and service offerings. It is widely spread in tier-2 and tier-3 cities, with a network of 15,196 stores, as on March 31, 2022.RRVL has successfully been able to ramp up JioMart, India's largest hyperlocal platform operating across over 250 cities. Through its New Commerce initiative, RRVL is linking producers with small merchants and consumers to create a win-win partnership model. The New Commerce merchant partner footprint has been expanded to more than 100 cities for grocery and 3,500+ cities for Fashion & Lifestyle, leveraging its investments in sourcing, product design and development, supply chain and technology.

3. Small Industries Development Bank of India: Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, is the principal financial institution for the promotion, financing and development of the micro, small and medium Enterprise (MSME) sector in India. SIDBI provides finance in two forms viz. indirect finance by way of long term loans, working capital facilities, discounting/rediscounting bills of exchange and refinance to Primary Lending Institutions and Micro Finance Institutions. SIDBI is also among the top 30 Development Banks of the World. SIDBI has 3 subsidiaries: SIDBI Venture Capital, SIDBI trustee Co and the newly created MUDRA. Following an amendment to the SIDBI Act in 2000, the equity held by IDBI was transferred to various PSU banks, government-owned insurance companies and financial institutions. is jointly owned by the GoI (largest shareholder with a stake of 20.85%), SBI (with a stake of 15.65% as on March 31, 2022), LIC (13.33%) and other PSBs (the balance). SIDBI is the nodal agency for government schemes targeted towards the MSME sector and in the past SIDBI has received budgetary support, support from RBI and GOI guarantee of foreign government borrowing suggesting implicit GOI support.

4. Indian Oil Corporation Ltd (IOC): IOC dominates the oil refining and marketing sector. With 11 refineries, the company accounted for 32% of the refining capacity of India as on March 31, 2022, and held around 42% share in the petroleum products market in fiscal 2022. The company's market position is underpinned by its entrenched marketing and distribution infrastructure, with 34,559 retail outlets and 12,813 LPG distributors as on March 31,2022, along with aggressive branding and marketing exercises. Overall, majority GOI ownership, strategic importance, robust liquidity profile and strong balance sheet are the key credit strengths.

5. LIC Housing Finance Ltd: LICHF is the second largest housing finance company in India after HDFC/Individual loan portfolio. Credit strength is derived from the support of the parent (LIC), sound capitalization and healthy resource profile. Asset quality has remained strong and stable in the past few years and given that the book is largely retail and to salaried customers; it is likely that these levels are maintained as the portfolio continues to grow. Company has started to expand the non-housing segment in a calibrated way, which helps improve the yields, and at the same time has been able to maintain low level of overall delinquencies. Retail housing is ~85% of the total book. A large number of LIC Housing's senior management personnel are on deputation from LIC. LIC has also committed to not allowing its stake to fall below 33% which gives a strong support to its rating. Expect continued support over long term in terms of ownership, common branding and managerial inputs.

6. Hindustan Petroleum Corporation Limited (HPCL): HPCL is an integrated refining and marketing company. ONGC is the majority shareholder in the company, post its acquisition of stake from GOI in January 2018. It is the third largest oil refining and marketing company in India. It operates two refineries one in Mumbai with a production capacity of 9.5 million metric tonnes per annum (MMTPA) and one in Visakhapatnam with a production capacity of 8.3 MMTPA. Both refineries, Mumbai and Vishakhapatnam, have maintained healthy energy consumption levels. Market position is underpinned by an entrenched marketing and distribution infrastructure, with 18,634 retail outlets. The company had a network of 6,243 LPG distributors as on March 2022.

7. ICICI Securities Ltd: I-Sec is subsidiary of ICICI Bank, engaged in capital markets relate businesses like broking, catering to retail and institutional clients, and investment banking. The company also offers wealth management services and distributes financial products. I-Sec is a strong player in the retail equity broking segment with a strong focus on online broking. It also has significant presence in the institutional segment with strong execution capabilities and competence in handling both cash and F&O products. The strong parentage and the shared brand name underscore importance of ICICI Securities to ICICI Bank and ensures the likelihood of receiving any support from the parent in case need arises

8. HDFC Bank Ltd: HDFC Bank is the largest private sector bank in India. It offers a wide range of banking services, including commercial and transactional banking in the wholesale segment, and branch banking in the retail segment, with focus on car finance, business banking loans, commercial vehicle finance, credit cards, and personal loans. The bank acquired Centurion Bank of Punjab in May 2008. It has three overseas branches, one each in Dubai, Bahrain, and Hong Kong, as well as two representative offices, one each in the United Arab Emirates and Kenya. Further, the bank also has an Offshore Banking Unit at International Financial Service Centre (IFSC), at GIFT City, Gandhinagar in Gujarat. The bank is a market leader in non-mortgage retail asset segments such as commercial vehicles and car financing. It has also been expanding its geographical reach over the past few years; and has set up new branches primarily in semi-urban and rural areas. As on March 31, 2022, the bank had 6,342 branches.

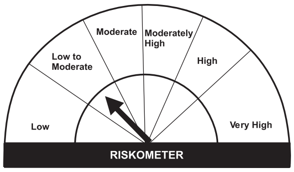
   The bank is present in the broking business via HDFC Securities Ltd, which also operates as a third-party distributor of mutual fund products, insurance, initial public offerings, fixed deposits, bonds and non-convertible debentures. HDB Financial Services Ltd is a non-deposit-taking non-banking financial company, offering loans against property, commercial vehicle and construction equipment loans, and small and medium-sized enterprises financing.

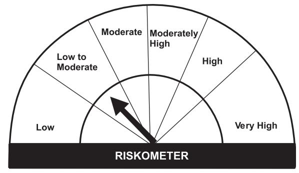
9. Kotak Securities Ltd: The strength of the entity is derived from being a key subsidiary of the Kotak Bank and the broking entity in the group. In addition, the entity has a very strong standalone business and financial profile. Over the last 15 years' entity has seen growth and stability which translates that entity has witnessed several business cycles. Overall, the strength of its standalone profile and the backing of the group, standout as clear positives. In addition, the company has fared well through the recent pandemic related volatility without witnessing any stress in the margin funding portfolio which emphasizes the strength of the processes of the entity.

10. HDFC Securities Ltd: The strength of the entity is derived from being a key subsidiary of HDFC Bank and the flagship broking entity in the group. In addition, the entity has a very strong standalone business and financial profile. The entity has a strong market share and diversified revenue streams from broking, mutual fund distribution and insurance distribution and investment banking. Furthermore, entity's long vintage is an added comfort.

*Source: HSBC Asset Management, India, (HSBC AMC), Credit issuer's corporate websites, Data as of 30 September 2022

HSBC Cash Fund Riskometer

<table>
<tr>
<td>HSBC Cash Fund

Investors understand that their principal will be from Low to Moderate risk</td>
<td>Liquid Fund - An Open Ended Liquid Scheme. Relatively low interest rate risk and relatively low credit risk.
This product is suitable for investors who are seeking##:
• Overnight Liquidity over short term.
• Invests in Money Market Instruments.
##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.</td>
<td>Benchmark: CRISIL Liquid Fund A-I index
</td>
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Potential Risk Class (HSBC Cash 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.

*TREPS : Tri-Party Repo

*Source: HSBC Asset Management, India, (HSBC AMC), Credit issuer's corporate websites, Data as of 30 September 2022

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