HSBC Managed Solutions India - Conservative

Fund of Funds (Domestic) - An open ended fund of fund scheme investing in a basket of equity, debt, Gold and other Exchange Traded Funds.[1]

December 2021

Investment Objective:

The objective of the Plan is to provide long term total return aimed at providing income through an active asset allocation with diversification commensurate with the risk profile of investments by investing in a basket of debt, equity, gold ETFs and other ETFs and money market instruments.

Fund Details

Fund Manager[6]
Gautam Bhupal

AUM (as on 30.11.21)
42.72 Cr

Minimum Investment

Lumpsum	SIP	Additional Purchase
` 5,000	` 500	R ` 1,000

Standard Deviation[2]	5.04%
Beta[2]	0.77
Sharpe Ratio[3, 2]	0.64

Benchmark[5]
Composite Index constituting of 90% into CRISIL Composite Bond Index &10% of S&P BSE 200 Index TRI

Inception Date
30 April 2014

Exit Load[4]
1 % if redeemed / switched out within 1 year from date of allotment, else nil

Equity Market Update

- Indian equity markets have outperformed most of the key global equity indices on a YTD basis. This has made Indian equity market valuations richer.
- The macro releases during November point towards a steady recovery in economic activities.
- 2QFY22 turned out to be a steady quarter with the above expectations corporate earnings (Nifty universe).
- The Nifty EPS estimate for FY22 was broadly unchanged while there were upgrades seen for FY23/24 estimates.
- On P/E basis, Nifty is currently trading at 22.8x / 19.4x FY22/23 earnings estimates.
- Easy global liquidity could be at risk given the accelerated Fed taper timeline that the market is factoring in now.
- Given the rich market valuations, earnings growth needs to catch-up.
- We remain positive on equity markets from a medium to long term perspective.
- We see cyclical revival to provide multi-year earnings visibility and this coupled with a benign cost of capital environment, to support equity performance.

[1] Pursuant to the circular issued by SEBI on 'Categorization and Rationalization of the Schemes, there has been change in the fundamental attribute(s) of the aforesaid effective from Mar 14, 2018.
[2] Statistical Ratios disclosed are as per monthly returns (Annualized) for the last 3 years.
[3] Risk free rate: 3.41% (FIMMDA-NSE MIBOR) as on November 30, 2021)
[4] Applicable with effect from 14 March, 2018, In respect of each purchase/switch-in of Units, an Exit Load of 1% is payable if Units are redeemed/switched- out within1year from the date of allotment, No Exit Load will be charged, if Units are redeemed/switched-out after 1 year from the date of allotment.
[5] 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..
[6] The said Fund is managed by for equities Gautam Bhupal since 21 October 2015.

Fixed Income

Fixed Income Market Summary for the month of November 2021

- November saw relatively muted action in the markets as yields moved around in a narrow range for most of the month, with a slight positive bias. Early in the month, we saw cut in excise duties on fuel by central government as well as cut in value added taxes on fuel by state governments. The impact on lowering inflation from these measures is expected to be ~30 bps. While there is also likely to be a consequent fiscal impact of ~INR 450 bn on central government finances, the same is likely to be manageable given strong fiscal trends till date. During the latter half of the month, we saw concerns over Omicron variant leading to a risk-off sentiment across global markets and crude prices which were volatile through the month, fell further to ~USD 70/bl. As a result, Indian debt markets continued to trade with a positive bias.
- Overall, 10y closed November 6 bps lower at 6.33 v/s 6.39 at the end of October. 10 yr however underperformed other parts of the curve- benchmark 5 yr was lower by 12 bps closing at 5.64 at the end of November v/s 5.76 in October,14 yr was lower by 11 bps at 6.73 in November. Shorter end of the curve (1 to 3 yr) was largely flattish and the curve overall exhibited a slight bull flattening trend.
- Corporate bonds traded in a narrow range in the month, seeing a flattening of the curve as 10 yr bond yields rallied by ~10 bps, while 2-3 yr segment closed marginally higher. 10Y corporate bond spreads compressed to ~40-42 bps by the end of the month.
- RBI continued calibrating liquidity by absorbing increased quantum through VRRRs, as guided in the previous RBI monetary policy. Overall liquidity remained comfortable with outstanding at liquidity adjustment facility (LAF) averaging at INR 7.59 trn in November (v/s INR 7.48 trn in October) , though a bulk of the same is now absorbed by the RBI through 7-day, 14-day and 28-day VRRRs.

Outlook

Fiscal trends have continued to stay positive through October ’21 with fiscal deficit for 7 month FY22, as a proportion of budgeted estimate, the lowest in past several years, as revenue trends have continued to stay positive. High frequency indicators such as PMI continue to reflect the recovering growth impulses, and strong GST collections also reflects the same. GDP numbers released towards the end of November for Q2FY 2022, also confirm the trend of recovery in growth post the second wave.

On the inflation side, sticky core inflation coupled with an uptick in food prices, especially vegetable prices should push inflation towards the higher end of the RBI 4+/-2% band in the next few months, despite the cut in fuel prices, which would have a lowering impact.

Overall, the RBI policy on December 8th will set the tone for markets going forward, as the MPC weighs the incipient growth impulses and stickiness in inflation on one hand, and possible disruption to the recovery from a third wave/new Covid variant. RBI is expected to continue to normalize monetary policy in a vary calibrated manner, while staying accommodative. Further steps towards liquidity normalization and narrowing of the reverse repo/repo rate corridor by a hike in reverse repo rates, are anticipated over monetary policy committee meetings in December and February ‘21.

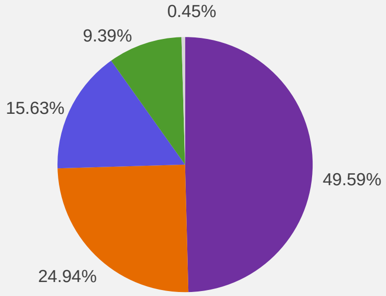
On balance, we expect range-bound situation continuing to prevail in terms of G-Sec and corporate bond yields as positives on the fiscal front are offset by elevated global inflation and global central banks starting to taper their bond buying and moderating their accommodation on the monetary front. RBI is also expected to normalize policy in a calibrated manner, however it is expected to step in to support markets to prevent any disorderly increase in yields, whenever required. Overall, the current steepness in the curve will remain. With the attractive carry in the short to medium part of the curve, we would favor this segment to other parts of the curve, both on G-Sec and corporate bond side.

Portfolio

Issuer	% to Net Assets
Mutual Fund	
Domestic Mutual Fund Unit	99.55%
HSBC Short Duration Fund - Growth Direct	49.59%
HSBC Flexi Debt Fund - Growth Direct	24.82%
HSBC Debt Fund - Growth Direct	15.63%
HSBC Large Cap Equity Fund - Growth Direct	9.39%
IDFC Dynamic Bond Fund - Direct Pl - Growth	0.12%
Cash Equivalent	0.45%
TREPS*	0.25%
Reverse Repos	0.32%
Net Current Assets	-1.12%
Total Net Assets as on 30-Nov-2021	100.00%

*TREPS : Tri-Party Repo

Asset Allocation



- Short Duration Fund (Debt)
- Dynamic Bond Fund (Debt)
- Medium to Long Duration Fund (Debt)
- Large Cap Equity Fund
- Cash Equivalents

Riskometer

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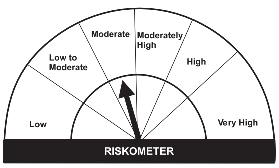


Investors understand that their principal will be at Moderate risk

Fund of Funds (Domestic) - An Open Ended Fund of Funds Scheme investing in a basket of equity, debt, Gold and other Exchange Traded Funds.

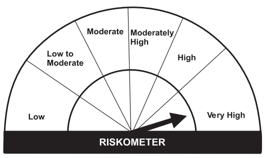
This product is suitable for investors who are seeking##:

- To provide income over the long-term.
- Investing predominantly in units of debt mutual funds as well as in a basket of equity mutual funds, gold & other exchange traded funds and money market instruments.

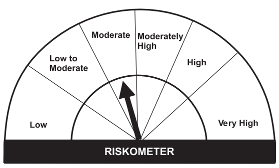
##Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

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.

Benchmark:
S&P BSE 200 TRI Index



Benchmark:
CRISIL Composite Bond Fund Index



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Source: HSBC Asset Management India , Data as at November 2021

Disclaimer:

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Mutual fund investments are subject to market risks, read all scheme related documents carefully.