HSBC Regular Savings Fund (HRSF)

An open ended Hybrid Scheme investing predominantly in debt instruments.[1] (Formerly known as HSBC Monthly Income Plan)

December 2021

Investment Objective:

Seeks to generate reasonable returns through investments in Debt and Money Market Instruments. The secondary objective of the scheme is to invest in equity and equity related instruments to seek capital appreciation. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

Fund Details

Fund Manager[6]

Kapil Punjabi (For Debt portion)
Gautam Bhupal (For Equity Portion)

Minimum Investment

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

Average Maturity	4.90 years
Modified Duration	3.92 years
Macaulay Duration	4.04 years
Yield to Maturity [2]	5.66%

Benchmark [4,5]

CRISIL Hybrid 85+15 - Conservative Index

Inception Date

24 February 2004

Exit Load [3]

NIL

AUM (as on 30.11.21)

88.75 Cr

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] YTM Based on invested Amount
[3] Applicable with effect from 14 March, 2018
[4] The benchmark was changed with effect from 14 March 2018.
[5] Debt Allocation of 85% and 35% in respective indices represented by CRISIL Composite Bond Index

[6] The said Fund is managed by Kapil Punjabi effective 18 February 2019
The said Fund is managed by Gautam Bhupal effective 23 July 2019
[7] 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 Strategy

- While fiscal trends have continued to stay positive, lack of G-SAP / OMO by RBI and sticky inflation counteract the same in terms of impact on yields in the belly and longer end of the yield curve.
- Global commodity prices and bond yields have stayed volatile and response function of global central banks to emerging inflationary pressures globally would also influence the direction of yields.
- On the whole we expect the longer end to remain range bound with RBI supporting the curve in case of undue stress.
- As such, we intend to position with a neutral stance in the long bond portfolios versus the index and intend to take advantage tactically of any opportunities that may arise on the longer end of the curve depending on market conditions.

Market Update

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.

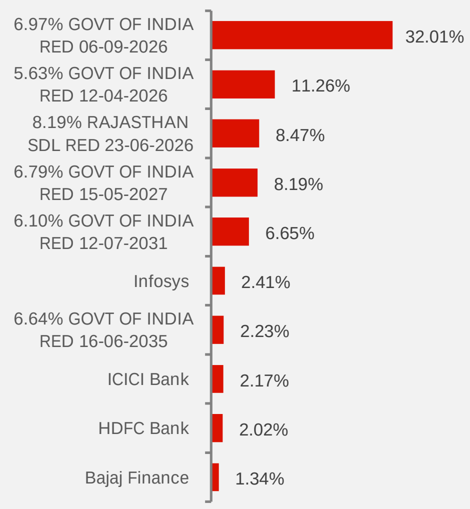
On balance, we expect range-bound situation continuing to prevail in terms of G-Sec and corporate bond yields as positives on the fiscal front are offset by elevated global inflation and global central banks starting to taper their bond buying and moderating their accommodation on the monetary front. 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

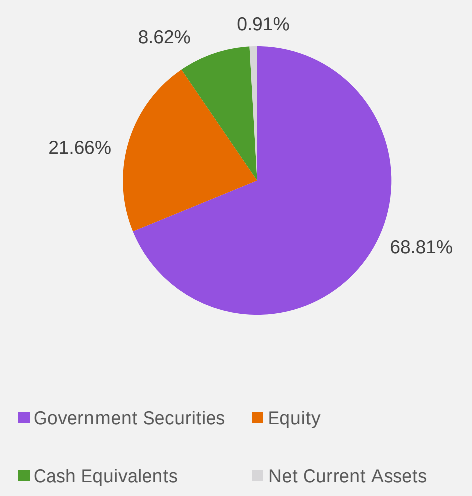
Issuer	Rating	% to Net Assets
EQUITY		21.66%
Infosys	Software	2.41%
ICICI Bank	Banks	2.17%
HDFC Bank	Banks	2.02%
Bajaj Finance	Finance	1.34%
Larsen & Toubro	Construction Project	1.09%
Reliance Industries	Petroleum Products	1.08%
State Bank of India	Banks	0.86%
Axis Bank	Banks	0.81%
Sun Pharmaceutical Industries	Pharmaceuticals	0.76%
KEI Industries	Industrial Products	0.70%
Tata Motors	Auto	0.67%
Tata Consultancy Services	Software	0.64%
Titan Company	Consumer Durables	0.56%
DLF	Construction	0.53%
Mphasis	Software	0.49%
PI INDUSTRIES	Pesticides	0.49%
Hindustan Unilever	Consumer Non Durables	0.44%
Dalmia Bharat	Cement & Cement Products	0.42%
Voltas	Consumer Durables	0.41%
Ashok Leyland	Auto	0.40%
SRF	Chemicals	0.36%
SBI Life Insurance Company	Insurance	0.35%
Amber Enterprises India	Consumer Durables	0.34%
Kajaria Ceramics	Consumer Durables	0.33%
JB Chemicals & Pharmaceuticals	Pharmaceuticals	0.33%
Alkem Laboratories	Pharmaceuticals	0.30%
Quess Corp	Other Services	0.25%
Emami	Consumer Non Durables	0.24%
IPCA Laboratories	Pharmaceuticals	0.24%
Kotak Mahindra Bank	Banks	0.22%
Godrej Consumer Products	Consumer Non Durables	0.22%
Jindal Steel & Power	Ferrous Metals	0.19%
Government Securities		68.81%
6.97% GOVT OF INDIA RED 06-09-2026	SOVEREIGN	32.01%
5.63% GOVT OF INDIA RED 12-04-2026	SOVEREIGN	11.26%
8.19% RAJASTHAN SDL RED 23-06-2026	SOVEREIGN	8.47%
6.79% GOVT OF INDIA RED 15-05-2027	SOVEREIGN	8.19%
6.10% GOVT OF INDIA RED 12-07-2031	SOVEREIGN	6.65%
6.64% GOVT OF INDIA RED 16-06-2035	SOVEREIGN	2.23%
Cash Equivalent		9.53%
TREPS*		3.74%
Reverse Repos		4.89%
Net Current Assets		0.91%
Total Net Assets as on 30-Nov-2021		100.00%

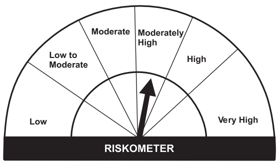
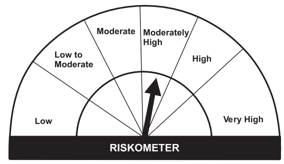
*TREPS : Tri-Party Repo

Portfolio



Asset Allocation



HSBC Regular Savings Fund Riskometer		
HSBC Regular Savings Fund  Investors understand that their principal will be at Moderately High risk	**Conservative Hybrid Fund-** An open ended Hybrid Scheme investing predominantly in debt instruments. **This product is suitable for investors who are seeking##:** • Capital appreciation over medium to long term. • Investment in fixed income (debt and money market instruments) as well as equity and equity related securities. **##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 Hybrid 85+15 - Conservative Index)** 

Source: HSBC Asset Management India,

Source: ICRA MFI, Bloomberg, Data as of 30 November 2021

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