HSBC Asset Management

HSBC Short Duration Fund (HSDF)

Short Duration Fund - An open ended short term debt scheme investing in instruments such that the Macaulay duration^ of the portfolio is between 1 year to 3 years.1 Please refer Page no. 9 of the SID for explanation on Macaulay duration. Moderate interest rate risk and moderate credit risk.

Date: October 2022

Fund Details

Fund Manager [3]
Ritesh Jain

AUM (as on 30.09.22)
159.37 Cr

Minimum Investment

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

Average Maturity	1.25 years
Modified Duration	1.12 years
Macaulay Duration	1.18 years
Yield to Maturity [2]	7.22%

Benchmark
CRISIL Short Duration Fund B-II Index [4, 5]

Inception Date
10 December 2002

Exit Load
NIL

Current Portfolio Strategy

- From medium term perspective, HSBC Short Duration Fund offer value for investors at current short-term yields over funding cost in terms of spread. However, volatility will remain as markets price in further rate hikes by RBI over the near term.
- Over the medium term, the attractive carry and roll-down will present opportunities in the short to medium end of the curve. The extent of supply in G-Sec on account of increased borrowings in FY 23 is largely towards the duration segment. The current steepness in the yield curve up to the 5 yr point factor in further rate hikes by RBI to a large extent and could present opportunities as RBI front-loads the rate hikes. Similarly, on the corporate side, we prefer the 18m to 30m part of the curve given attractive carry. Having front loaded the rate hikes, RBI is likely to take a calibrated and data dependent approach from here on in and as a result, there could be opportunities appearing in the later part of the year in terms of carry and roll-down gains in these segments of the curve.
- As such, tactically for now we continue to be positioned with an underweight in terms of duration in these funds (HSBC Short Duration Fund and would await opportunities to take advantage of the steepness at the short to medium end of the yield curve.

Investment Objective:

To provide reasonable income through a diversified portfolio of fixed income securities such that the Macaulay duration of the portfolio is between 1 year to 3 years. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

Product Note

[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] The said Fund is managed by Ritesh Jain effective September 01, 2020
[4] 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. [5]Fund's benchmark has changed with effect from April 01, 2022
^ The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price. Please refer to the page number 9 of the Offer Document on which the concept of Macaulay's Duration has been explained

HSBC Short Duration Fund (HSDF)

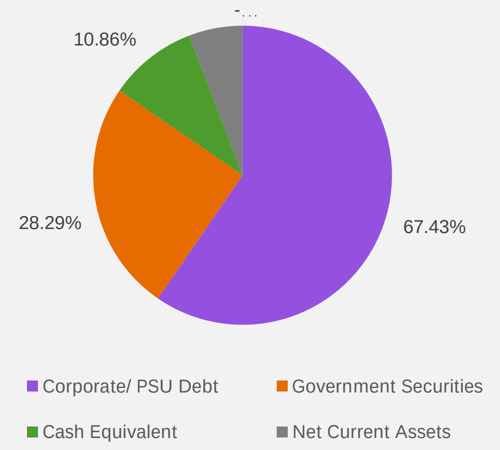
Date: September 2022

Portfolio

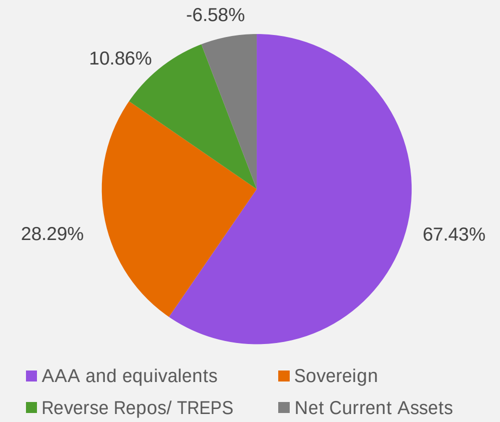
Issuer	Ratings	% to Net Assets
Corporate/ PSU Debt		
Corporate Bonds / Debentures		67.43%
Export Import Bank of India Top 10	CRISIL AAA	9.72%
Sikka Ports & Terminals Limited Top 10	CRISIL AAA	9.72%
Power Grid Corporation of India Limited Top 10	CRISIL AAA	6.63%
REC Limited Top 10	CRISIL AAA	6.57%
Sundaram Finance Limited Top 10	CRISIL AAA	6.37%
National Bank for Agriculture & Rural Development Top 10	ICRA AAA	6.34%
Kotak Mahindra Prime Limited Top 10	CRISIL AAA	6.34%
Bajaj Housing Finance Limited Top 10	CRISIL AAA	6.32%
HDB Financial Services Ltd. Top 10	CRISIL AAA	6.21%
LIC Housing Finance Limited Top 10	CRISIL AAA	3.21%
Government Securities		28.29%
6.69% GOI 27JUN2024	Sovereign	15.86%
8.50% JAMMU & KASHMIR 30MAR2025 SDL	Sovereign	3.20%
6.18% GOI 04NOV2024	Sovereign	3.16%
8.65% UTTAR PRADESH 10MAR2024 SDL	Sovereign	2.56%
8.66% WEST BENGAL SDL 20MAR2023	Sovereign	2.22%
8.73% UTTAR PRADESH 31DEC2022 SDL	Sovereign	1.29%
Cash Equivalent		4.28%
TREPS*		10.86%
Net Current Assets:		-6.58%
Total Net Assets as on 30-SEPTEMBER-2022		100.00%

*TREPS : Tri-Party Repo

Asset Allocation



Rating Portfolio



Rationale on existing credit exposures*

1. EXIM Bank: EXIM Bank is an entity incorporated under the Act of the Indian Parliament and owned by Government of India and acts as the principal financial institution coordinating activities of Indian institutions engaged in international trade finance. Exim provides project finance, working capital finance and short-term credit to exporters. Exim bank also extends line of credit facilities to sovereign governments, overseas financial institutions and regional development banks, to promote India's exports to trading partners. Such lines of credit have increased significantly in the recent past, increasing Exim bank's strategic importance. The standalone credit profile of EXIM bank is also supported by its strong capitalization levels. Government has consistently infused capital in Exim Bank. Also entity has demonstrated ability to raise wholesale funds at competitive rates both in domestic and international markets. Commands one of the best rates in international markets among Indian issuers given quasi-sovereign status. Further the company has raised funds in multiple currencies.

2. Sikka Ports and Terminals Ltd: Sikka Ports and Terminals Limited (SPTL) is classified as an "Associate Company" of Reliance Industries Limited. It is owned 100% by Reliance Industries Holdings Private Limited (RIHPL). RIHPL is a holding company which is the private investment vehicle for holding several RIL group assets within the Reliance Industries – group companies. SPTL operates as a captive port and provides port infrastructure facilities to enable imports (mainly of crude oil) and exports (refinery and petrochemical products) of RIL. The operations of the company are critical for RIL as they are closely integrated with the facilities of its refining and petrochemical segments. Being the major handler of RIL's refining/petrochemical volumes, the entity remains strategically important to the RIL group. Apart from the above operations, SPTL is also engaged in operating and hiring construction equipment and machinery, and is a co-developer of Jamnagar special economic zone (SEZ). For the purpose of handling crude oil and petroleum and petrochemical products of RIL, SPTL has entered into long term throughput agreements with RIL for the two refineries at Jamnagar thus providing long term revenue visibility and stable cash flows to the company. The assured revenue stream and timely receipt of receivables from the strong counterparty enables SPTL to honor its debt commitments in timely manner. Strong parentage derived from Reliance Industries group

shareholding and strategic importance to Reliance Industries handling the ports and logistics operations is a strong positive. In addition, company has a strong cash flow generation.

3. Power Grid Corporation of India Ltd.: PGCIL was incorporated in 1989 to set up extra-high voltage alternating current and high-voltage direct current (HVDC) transmission lines. The company moves large blocks of power from the central generating agencies and areas that have surplus power to load centres within and across regions. It is under the administrative control of the Ministry of Power, GoI. The company owns and operates an extensive nationwide network of transmission lines, which mainly comprise 400-kilovolt transmission lines and HVDC transmission systems, carrying more than 45% of the total power generated in India. It owns about 85% of the interstate transmission network. The regulatory framework is structured by Central Electricity Regulatory Commission (CERC), which helps to generate stable revenue and cash flow. Tariff recovery is linked to transmission network availability maintained by the company and is not impacted by actual power transmitted through the network that could be extraneous to its control. Also, the tariff structure ensures recovery of all expenses, including debt-servicing charges, and provides for a fixed return on equity (RoE), if the company adheres to operational benchmarks. The tariff structure also ensures recovery of annual obligation for debt contracted to finance capex in transmission projects and funded in a debt-to-equity mix of 70:30.

4. Rural Electrification Corporation Ltd: REC is a public financial institution under the administrative control of Ministry of Power. Until 2003, REC's primary objective was to provide financial assistance on concession to SPUs for rural electrification. RECs mandate was broadened in 2003 to include financing of all segments of the power sector. It provides financial assistance to state electricity boards (SEBs) for financing transmission, distribution and generation projects. REC's credit profile derives strength from government ownership and support it receives from it. The credit profile is also supported by its good resource profile and adequate capitalization and profitability. Entity's asset quality issues are likely to have bottomed out, similar to case of PFC. Post-acquisition of REC by PFC, rating agencies have reaffirmed both agencies at AAA, taking into account mainly the strategic importance of the company. PFC and REC are expected to continue to be strategically important to the Government of India and will continue to play an important role in funding of power projects, especially those of the state government owned electricity companies. Recent policy actions in terms of liquidity support to discoms which have been have been undertaken through REC and PFC, reiterate its strategic importance.

5. Sundaram Finance Ltd: SFL is a deposit taking NBFC registered with RBI as an asset financing company (AFC). It commenced operations in 1954. It is primarily engaged in the business of financing commercial vehicles (CV), cars and construction equipment (CE) operating through branches across India. The company has a large presence in South India with key business lines being lending to finance purchase of CV, followed by passenger cars & UV. Customer profile is largely relatively medium to large fleet operators in the CV segment and to self-employed in the car segment. Significant proportion of its CV customers are repeat customers. Over the years, company has always taken a conservative approach to growth. Asset quality has consistently remained better than peers owing to superior customer profile, and large experience and track record in catering to the CV segments. Company's resource profile is adequate with a healthy mix of retail FDs, bank borrowings and borrowings from the capital market. The company's conservative growth, as demonstrated in the past and healthy internal accruals also lends comfort to its capitalization. The company's track record in managing cycles historically and the fact that it caters to relatively larger fleet operators gives comfort in terms of asset quality despite any potential turn in the CV cycle.

6. 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.

7. Kotak Mahindra Prime Limited (KMPL): KMPL is an important subsidiary for Kotak Mahindra Bank Ltd (KMBL), as it undertakes car financing business for the group and supports its product offering and revenue profile. It is an important growth engine for the Kotak group in the retail finance space, with a strong presence in the car finance sector. It has strong operational and managerial integration with KMBL. KMPL benefits from the robust retail franchise and nation-wide branch infrastructure of the parent. KMBL shares its strong technology platform and risk management practices with the company. KMPL also has board representation from KMBL. The bank is 100% shareholder of KMPL.

8. Bajaj Housing Finance Limited: Bajaj Finance Ltd (BFL) holds 100% stake in BHFL, its housing finance arm. In September 2015, BHFL received a certificate for the housing finance business from the National Housing Bank (NHB). BHFL has attained significant size and scale in the past three years, also reflected in its share within overall assets under management (AUM) for the Bajaj group. The company started operations in July 2017 and has managed to grow its AUM by y-o-y and it stood at Rs 57,425 crore as on June 30, 2022.

HSBC Short Duration Fund (HSDF)

Date: October 2022

9. HDB Financial Services Ltd: Shareholding support of HDFC Bank, strong liquidity and adequate capitalization bode well for the credit profile. In addition, the strong retail centric portfolio and lower ticket size provide comfort that the portfolio risks will be largely contained. Company's liquidity and balance sheet profile has also been robust with adequate liquidity, healthy capitalization and reasonable leverage. While asset quality has seen an uptick in the recent past, it is expected that adequate capital and conservative recognition will stand positive for them over time. Overall the strength is derived from strong standalone profile, coupled with strong operational and financial linkages with HDFC bank

10. 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.

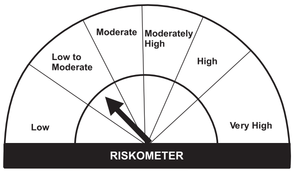
*Source: HSBC Asset Management, India, Data as of 30 September 2022

HSBC Short Duration Fund (HSDF)

Date: October 2022

HSBC Short Duration Fund Riskometer

HSBC Short Duration Fund



Investors understand that their principal will be from Low to Moderate risk

Short Duration Fund - An open ended Short Term Debt Scheme investing in instruments such that the Macaulay ^duration of the portfolio is between 1 year to 3 years. Please refer Page no. 9 of the SID for explanation on Macaulay duration. Moderate interest rate risk and moderate credit risk.

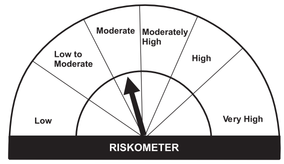
This product is suitable for investors who are seeking##:

- Regular Income over Medium term.
- Investment in diversified portfolio of fixed income securities such that the Macaulay^ duration of the portfolio is between 1 year to 3 years.

##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 Short Term Bond Index



Potential Risk Class (HSBC Short Duration Fund)

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)		B-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."

HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.
GST - 27AABCH0007N1ZS, Email: hsbcmf@camsonline.com | Website: www.assetmanagement.hsbc.co/in