HSBC Ultra Short Duration Fund (HUSDF)

Ultra Short Duration Fund – An open ended ultra-short term debt scheme investing in instruments such that the Macaulay Duration^ of the portfolio is between 3 months to 6 months. Please refer Page no. 9 of the SID for explanation on Macaulay duration. Relatively low interest rate risk and relatively low credit risk.

October 2022

Fund Details

Fund Manager
Kapil Punjabi

AUM (as on 30.09.22)
861.80 Cr

Minimum Investment

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

Average Maturity	3.84 year
Modified Duration	3.79 year
Macaulay Duration	3.84 year
Yield to Maturity [1]	6.71%

Benchmark
CRISIL Ultra Short Duration Fund A-I Index[2, 3]

Inception Date
29 January 2020

Exit Load
NIL

Current Portfolio Strategy

- 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 across HSBC Ultra-Short 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:

The investment objective of the scheme is to provide liquidity and generate reasonable returns with low volatility through investment in a portfolio comprising of debt & money market instruments. However, there is no assurance that the investment objective of the scheme will be achieved.

Product Note

[1] YTM Based on invested Amount ^ 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 Scheme Document on which the concept of Macaulay's Duration has been explained
[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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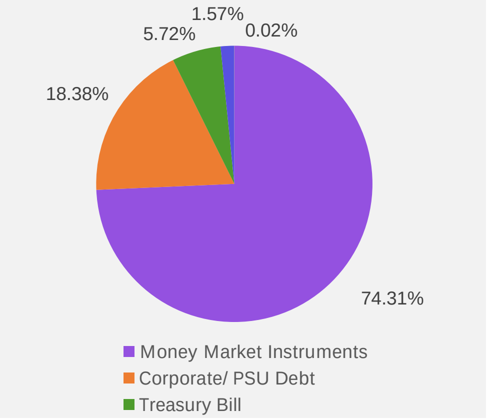
Date: October 2022

Portfolio

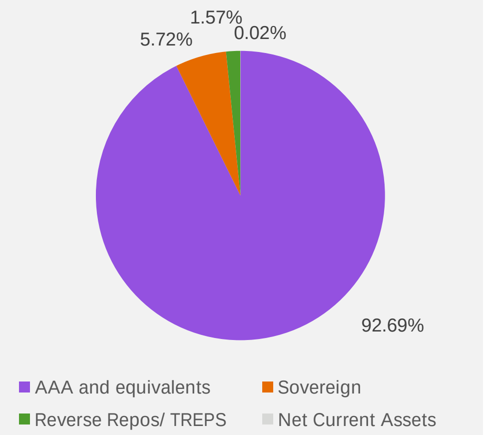
Issuer	Ratings	% to Net Assets
Corporate/ PSU Debt		
Corporate Bonds / Debentures		18.38%
L&T Finance Limited Top 10	CRISIL AAA	12.30%
LIC Housing Finance Limited Top 10	CRISIL AAA	6.08%
Money Market Instruments		
Certificate of Deposit		51.62%
Bank of Baroda Top 10	IND A1+	11.32%
Axis Bank Limited Top 10	CRISIL A1+	8.61%
Indian Bank Top 10	ICRAA1+	6.84%
Canara Bank Top 10	CRISIL A1+	6.79%
National Bank for Agriculture & Rural Development	CRISIL A1+	5.69%
Small Industries Development Bank of India	CARE A1+	5.64%
National Bank for Agriculture & Rural Development	IND A1+	4.53%
HDFC Bank Limited	CARE A1+	1.11%
Export Import Bank of India	CRISIL AAA	1.09%
Commercial Paper		22.69%
Kotak Securities Limited Top 10	CRISIL A1+	11.30%
Housing Development Finance Corporation Limited Top 10	CRISIL A1+	5.74%
Bajaj Housing Finance Limited Top 10	CRISIL A1+	5.65%
Treasury Bill		5.72%
182 DAYS T-BILL 22DEC22 Top 10	Sovereign	5.72%
Cash Equivalent		
TREPS*		1.57%
Net Current Assets:		0.02%
Total Net Assets as on 30-SEPTEMBER-2022		100.00%

*TREPS : Tri-Party Repo

Asset Allocation



Rating Portfolio



Ratings allocation

HSBC Ultra Short Duration Fund has invested ~92.69% in AAA and Equivalents. while ~5.72% held in Sovereign.

Rationale on existing credit exposures*

1. L&T Finance Ltd: L&T Finance is the flag ship NBFC of the L&T group with a diversified lending model. The key strength emerges from strategic importance to the L&T group as a whole and expected support from ultimate parent L&T. Liquidity is very strong and asset quality is manageable. While recent past performance of the industry has been under stress, this entity has been able to manage well with strong liquidity support. While operating environment will be challenging, company seems to be faring better than many peers in the sector given its diversified book and parentage.

2. Bank of Baroda: Bank of Baroda is among India's five largest banks by asset size with total assets of Rs 12,85,486 crore as on June 30, 2022 (Rs 11,21,783 crore as on June 30, 2021). On the deposits front too, the bank has maintained a substantial share with Rs 10,32,714 crores of deposits as of June 30, 2022. As on June 30, 2022, the bank's gross advances stood at Rs 8,39,785 crore, up 18% Y-o-Y, of which 83% were domestic while the remaining 17% were international loans. On the asset quality front, the bank reported Gross non-performing assets (GNPA) of 8.86% as on June 30, 2022 from 6.61% as on March 31, 2022 despite the challenging environment.

3. 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.

4. 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.

5. Axis Bank Ltd: It is the third-largest private sector bank with a diverse business mix as reflected in a well-spread out loan portfolio with more than half of it being granular retail. Capitalisation for Axis Bank is at healthy levels and the bank has demonstrated its ability to raise equity capital from the markets, both debt and equity side. Overall, the bank's large size, proven ability to raise capital and good resource profile are the key positive drivers for investing in the bank. In addition, large size also lends the bank its systemic importance which is an overriding comfort.

6. Indian Bank: Indian Bank is a medium-sized bank. In 2007, it made its initial public offering, resulting in dilution of ownership of GoI to 80%. GOI's ownership further reduced to 79.86% following the issuance of shares under amalgamation to the shareholders of Allahabad Bank. Following the amalgamation, the merged entity enjoys the benefits of a larger balance sheet, optimised capital utilisation and wider geographic reach leading to deeper penetration. Bank has a strong domestic branch network comprising 5,732 branches and 4,925 ATMs & BNA. The bank also has three overseas branches located at Singapore, Colombo and Jaffna. Indian Bank's gross advances stood at Rs 425,203 crores as on June 30, 2022. Asset quality of the bank, with reported gross NPAs of 8.13% as on June 30, 2022 (8.47% as on March 31, 2022), remains modest, albeit with an improving trend. Capitalisation of the bank is adequate, with overall CAR at 16.51% as on June 30, 2022. Resource profile of Indian Bank has strengthened following its amalgamation with Allahabad Bank, with the proportion of low-cost CASA deposits at 40.73% as on June 30, 2022.

7. Canara Bank: Canara Bank is one of India's larger PSBs, with total advances and deposits of Rs 7.83 lakh crore and Rs 11.18 lakh crore, respectively, as on June 30, 2022. The merger of Syndicate Bank has also strengthened the market position of the bank. It has a Pan-India branch presence, with around 9,732 domestic branches and 10,802 automated teller machines (ATMs) across the country on the same date. It also has overseas branches at three locations. Revenue is diversified across businesses, products and geographies, augmenting the strong overall market position. The bank has a strong franchise in the large and mid-size corporate banking segments. Besides banking, it undertakes factoring, asset management, insurance and retail and institutional broking services through its subsidiaries and associates. The asset quality of the bank, with gross non-performing assets (NPAs) of 6.98% as on June 30, 2022 (7.51% as on March 31, 2022) remains modest, albeit with an improving trend.

8. 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.

9. Housing Development Finance Corporation Limited: As the largest housing finance company in India, HDFC has been recording profitable growth over the past 44 years in the individual housing and corporate segments. Though entry of new players and greater focus by banks on this segment have intensified competition, HDFC has maintained its market share. As on June 30, 2022, its AUM stood at Rs 6,71,364 crore, a growth of 17% over the previous fiscal (Rs 6,53,902 crore as on March 31, 2022). The company also has a sizeable presence in other financial services, including life insurance, general insurance, AMC and education financing, through subsidiaries. Overall asset quality remains healthy with gross non-performing asset as on June 30, 2022, at 1.78% (1.91% as on March 31, 2022).

10. 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.

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

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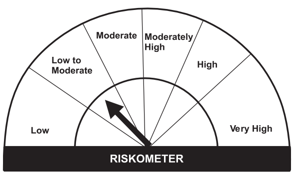
HSBC Ultra Short Duration Fund Riskometer

HSBC Ultra Short Duration Fund



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

Ultra Short Duration Fund - An Open ended Ultra-Short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months. Please refer Page no. 9 of the SID for explanation on Macaulay duration. Relatively low interest rate risk and relatively low credit risk.

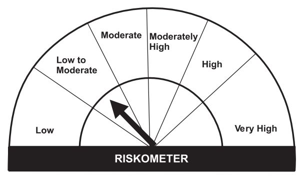
This product is suitable for investors who are seeking##:

- Income over short term with Low volatility.
- Investment in debt & money market instruments such that the Macaulay Duration of the portfolio is between 3 months - 6 months.

##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 Ultra Short Duration Fund A-I Index



Potential Risk Class (HSBC Ultra Short Duration 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.

HSBC Ultra Short Duration Fund (HUSDF)

Date: October 2022

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

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