HSBC Mutual Fund

Capitalising on Opportunities

Invest in HSBC Banking and PSU Debt Fund

(An open ended debt scheme primarily investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. A relatively high interest rate risk and relatively low credit risk.)

Top-down assessment suggests a positive bias for interest rates

- Domestic growth inflation dynamics have turned favourable
- Softer inflation and weaker growth creates room for further policy easing
- Government focused on Fiscal consolidation - favourably impacting demand supply dynamics of bonds

Impact on Bond markets

Systemic Liquidity

Global interest rate environment

Balance of Payments & Current Account Deficit

Food Inflation trends

Banking trends - Credit Deposit ratio

Real rates

Domestic growth slowdown

Global bond index inclusion

Fiscal policy & G-Sec Demand Supply

Core CPI Inflation trends

Monetary Policy

Macro economic factors along with liquidity measures by RBI positive for rates

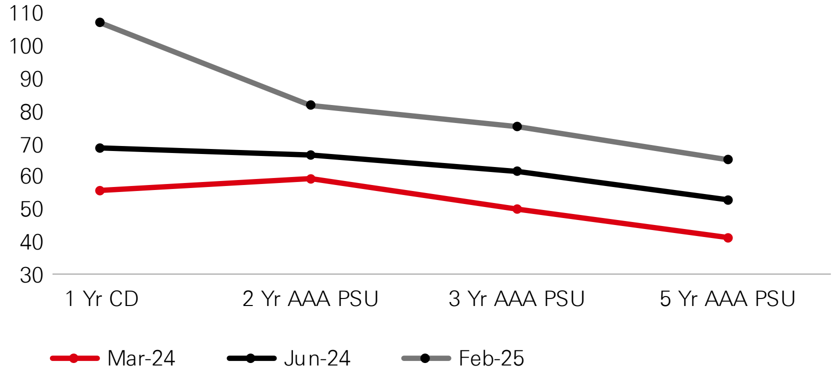
Source: Bloomberg, RBI, CCIL, NSDL Data updated as on Feb 14, 2025

Where do we see value?

Corporate bond curve may provide good value as RBI deploys measure to infuse liquidity

- G-Sec yield curve has moved lower by 30-40 bps across the curve since Mar '24, with majority of the softening in yields happening post Jun 2024
- Credit spreads across the curve have widened with 3 to 5 year spreads moving up to 65-75 bps
- Investors can potentially look to lock in favourable spreads, as credit spreads are expected to compress with liquidity easing and rate cuts

Corporate bond spreads elevated (in bps)



The 3-5 year segment of the corporate bond curve offers relative value with further policy easing expected

Source – Bloomberg, HSBC MF estimates, data as on Feb 14, 2025, Past performance may or may not be sustained in the future and is not indicative of future results.

Fund snapshot and approach

Fund Category	Banking and PSU Fund
Fund Manager	Mahesh Chhabria* and Mohd. Asif Rizwi*
Benchmark [1, 2]	Nifty Banking & PSU Debt Index A-II
Inception Date	12 Sep 2012
AUM[3&]	Rs. 4,128.58 Cr

Quantitative Data	
Average Maturity	2.28 years
Modified Duration	1.91 year
Macaulay Duration	2.02 year
Yield to Maturity	7.41%

- 1 year Bank CDs are trading at ~ 100 bps over 1 year T-Bill, offering good value in a rate easing environment
- Corporate bond curve may provide good value as RBI deploys measure to infuse liquidity
- The 3-5 year segment of the corporate bond curve offers relative value with further policy easing expected
- RBI OMO purchases turns G-Sec demand supply dynamics further positive, especially in the 5-10 yr segment
- Valuation of bonds, in terms of forward rates, remain cheap

- HSBC Banking and PSU Debt Fund predominantly seeks to maintain duration of 2.5-3 years by investing in the mix of 1 yr assets, 3-7 yr corporate bonds and 5-10 yr Govt Securities
- The fund continues to maintain the high credit quality with the portfolio in AAA or equivalent securities
- The scheme is ideally suited for investors who are seeking a quality portfolio investing in higher rated Banking and PSU debt instruments
- HSBC Banking PSU and Debt Fund is well positioned to generate potential alpha over an investment horizon of 1 to 2 years

Click here to read the detailed **"Fixed Income Opportunities - HSBC Banking and PSU Fund" Deck.**

[1]As per clause 1.9 of the SEBI Master Circular dated June 27, 2024, 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 effective from 01 December 2021.
[2]Fund's benchmark has changed with effect from May 01, 2024.
[3]AUM is as on 31 January 2025.
[&]For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website:
https://www.assetmanagement.hsbc.co.in/en/mutual-funds/investor-resources/information-library#&accordion1446811090=4
*Fund Manager - Mahesh Chhabria Effective 26 Nov 2022. Total Schemes Managed - 15
*Fund Manager - Mohd Asif Rizwi Effective 01 May 2024. Total Schemes Managed - 14
Note: The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s).
Source - HSBC Mutual Fund, Data as of 31 January 2025.
Source - Bloomberg, Past performance may or may not be sustained in the future and is not indicative of future results.
Note : Views provided above are based on information available in public domain at this moment and subject to change. Investors should not consider the same as investment advice. Please consult your financial advisor for any investment decision

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HSBC Banking and PSU Debt Fund (An open ended debt scheme primarily investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. A relatively high interest rate risk and relatively low credit risk.)

This product is suitable for investors who are seeking*:

- Generation of reasonable returns and liquidity over short term
- Investment predominantly in securities issued by Banks, Public Sector Undertakings and Public Financial Institutions and municipal corporations in India

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

(Benchmark: NIFTY Banking & PSU Debt Index A-II

The risk of the scheme is Moderate Risk

The risk of the benchmark is Low to Moderate Risk

Note on Risk-o-meters: Riskometer is as on 31 January 2025, 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

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

A Scheme with Relatively High interest rate risk and Low credit risk.

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.

Past performance may or may not be sustained in the future and is not indicative of future results.

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

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