

HSBC Medium Duration Fund

Fund strategy and Key exposures



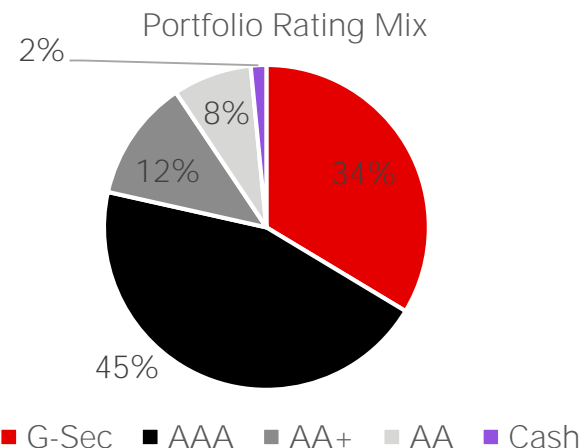
HSBC Medium Duration Fund (HMDF)

Well positioned in the current market environment

Market backdrop

- Central Banks globally have frontloaded policy rate hikes to curb inflation, with markets now expecting slower pace of tightening going forward
- MPC has also raised policy rates by 225 bps and is possibly in the last leg of the rate hiking cycle
- Markets have seen a sharp rise in yields over the last few months with absolute levels consolidating in the 7.00%-8.00% band
- Crude prices have also come off from the previous highs; recessionary fears are picking up
- In this backdrop, where rates are expected to remain range bound, a strategy combining a prudent mix of strategic Duration calls and Accrual product is well suited for investors with 3 year horizon

A fund like HSBC Medium Duration Fund is well positioned in this segment



Portfolio stats as of Dec 31, 2022	
AUM (INR Crs)	664
Portfolio YTM (%)	8.03%
Modified Duration	3.06

The above details are based on the portfolio of the scheme as on December 31, 2022 and is subject to change based on internal assessment

HSBC Medium Duration Fund (HMDF)

Well positioned in the current market environment

Aims to create alpha

An open ended medium term debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 3 years to 4 years

Aims at delivering yield pick up through judicious exposure to high quality/relatively less liquid AAA/AA space, while keeping adequate liquidity

Currently almost 80-85% of the portfolio in AAA or equivalent securities

Strategic duration management in an Accrual product

Rigorous credit selection process to spot mispriced credit opportunities

Aims at creating alpha by identifying pockets of value propositions, vis-à-vis yield curve steepness, attractive carry opportunities, elevated credit spreads, etc.

Combination of Duration and Accrual strategy in one product

Allows investors to earn better post tax returns

Offers a well-diversified and good portfolio mix with significant liquidity

- Almost 80-85% of portfolio exposure to AAA rated names
- Nil exposure to AA- and below rated names
- Almost 40% of portfolio exposure to Cash, G-Sec and highly liquid AAAs
- Large part of portfolio eligible to be purchased by banks, further enhancing liquidity
- Latest rating actions are stable/upward on the entire portfolio; Nil downgrades
- Added exposure to G-Sec given low spreads in corporate bonds

While providing yield pickup and maintaining flexibility to change Duration if needed

- The Fund strives to create alpha by identifying pockets of value in high quality/relatively less liquid AAA/AA space
- Adequate “fire power” available given the high proportion of G-Sec in the portfolio, to opportunistically evaluate deals with good yield pick up
- Recently increased Duration of the portfolio to 3+ after staying underweight for almost 2 years. Fund is no longer strategically underweight on Duration
- Demonstrated ability to strategically manage Duration in periods of volatile interest rates

Key attributes of HSBC Medium Duration Fund

A strategy that can:

- Strategically manage Duration in periods of market volatility (Reduced Duration to moderate risk during the interest rate hike cycle, while increased Duration recently with market yields consolidating)
- Own securities which provide adequate yield pick-up over G-Sec, while maintaining superior asset quality
- Switch from liquid G-Sec holdings to high quality/less liquid corporate bonds as spreads widen further
- Offer tax efficient returns



HSBC Medium Duration Fund



Superior asset quality and adequate liquidity

Almost 80-85% exposure in AAA/PSUs/G-Sec/Cash which can be liquidated easily

Attractive portfolio yield of 8%+

Healthy spread over plain vanilla AAA fund; Niche positioning with fire power to replace G-Sec when spreads widen

Ability to efficiently manage Duration

Demonstrated ability to strategically manage Duration in periods of volatile interest rates

Tax efficient

A combination of Duration and Accrual strategy in one product allows investors to stay invested for over 3 years and can aim to earn better post tax returns

Active Duration Management and Accrual Strategy

With interest rates consolidating at a higher level, a strategy combining a prudent mix of strategic Duration calls and Accrual product is well suited for investors with 3 year horizon



Demonstrated ability to strategically manage Duration in periods of volatile interest rates

HSBC Medium Fund

Fund snapshot and approach

Fund Category	Fund Manager	Benchmark ^{1,2}	Inception Date	AUM
Medium Duration	Shriram Ramanathan and Kapil Lal Punjabi	NIFTY Medium Duration Debt Index B-III	2 Feb 2015	Rs. 663.66 Cr

Fund strategy

- Aims at delivering yield pick up through judicious exposure to high quality/relatively less liquid space, while keeping adequate liquidity
- 80-85% of the portfolio in AAA or equivalent securities; Nil exposure to AA- and below rated names
- Almost 40% of portfolio exposure to Cash and G-Sec; adequate fire power available given the high proportion of G-Sec in the portfolio, to opportunistically evaluate deals with good yield pick up
- Strategic duration management in an Accrual product
- Took a strategic underweight Duration call in Feb 2021 basis the evolving macro-economic conditions and continued with the underweight positioning through the rising interest rate environment. Recently increased Duration of the portfolio to above 3, reversing the underweight positioning

Why HSBC Medium Duration Fund?

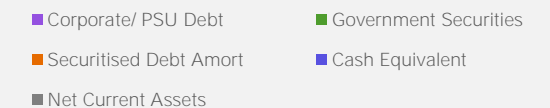
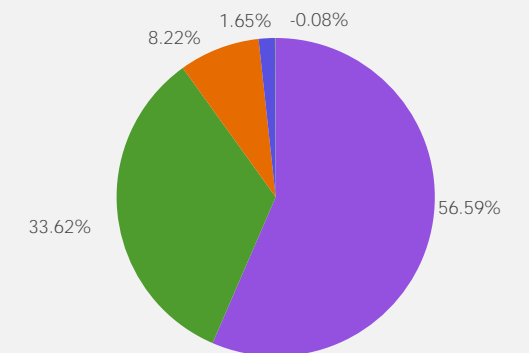
- Creating alpha by identifying pockets of value propositions, vis-à-vis yield curve steepness, attractive carry opportunities, elevated credit spreads, etc.
- Rigorous credit selection process to ensure good portfolio quality; Latest rating actions are stable/upward on the entire portfolio; Nil downgrades
- Demonstrated ability to strategically manage Duration in periods of volatile interest rates
- With interest rates consolidating at a higher level, a strategy combining a prudent mix of strategic Duration calls and Accrual product is well suited for investors with 3 year horizon
- Currently offers 60-80 bps over plain vanilla AAA bond funds, driven by niche positioning

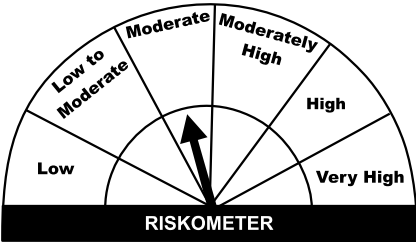
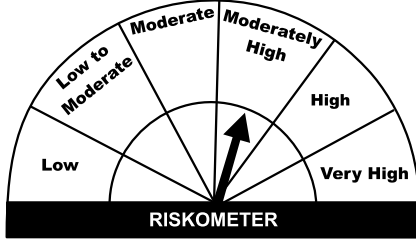
Quantitative Data

Average Maturity	4.12 year
Modified Duration	2.99 year
Macaulay Duration [^]	3.14 year
Yield to Maturity	8.03%



Asset Allocation



HSBC Medium Duration Fund (Erstwhile L&T Resurgent India Bond Fund)		
 <p>RISKOMETER</p> <p>Investors understand that their principal will be at Moderate risk</p>	<p>Medium Duration Fund - An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years (for details on Macaulay's Duration please refer to the SID under the section "Asset Allocation Pattern"). A relatively high interest rate risk and moderate credit risk.</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Generation of income over medium term • Investment primarily in debt and money market securities 	<p>Benchmark Index: NIFTY Medium Duration Debt Index B-III</p>  <p>RISKOMETER</p>
<p>* Investors should consult their financial advisers if in doubt about whether the product is suitable for them. ^ 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.</p> <p>Note on Risk-o-meters: Riskometer is as on 31 Dec 2022, 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</p>		

Potential Risk Class (HSBC Medium Duration Fund)

Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	
A Scheme with Relatively High interest rate risk and Moderate credit risk.			

Annexure

An introduction to
HSBC Asset Management
HSBC Mutual Fund



HSBC Asset Management

A global network of local experts

Presence in
20+ locations

613 investment
professionals



79 Americas

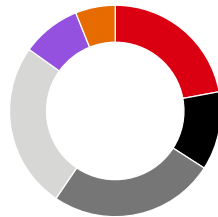
377 EMEA

157 Asia-Pacific¹

● HSBC Asset Management offices - Countries and territories where our investment teams sit are in bold

USD 574 bn under management

AuM by asset class (USD bn)



- Fixed Income (127)
- Equity (69)
- Multi-Asset (146)
- Liquidity (146)
- Alternatives (52)*
- Other (35)**

AuM by region (USD bn)



- Americas (93)
- EMEA (298)
- Asia Pacific (184)

AuM by client type (USD bn)



- Wholesale (202)
- Institutional (330)
- Other*** (42)

1. Asia-Pacific includes employees and assets of Hang Seng Bank, in which HSBC has a majority holding.

2. HSBC Jintrust Fund Management company is a joint venture between HSBC Asset Management and Shanxi Trust Corporation Limited.

* Alternatives assets excludes USD 3.40bn from committed capital ("dry powder") as well as advisory and oversight assets.

**Other in asset class refers to the assets of Hang Seng Bank, in which HSBC has a majority holding, and of HSBC Jintrust Fund Management, a joint venture between HSBC Asset Management and Shanxi Trust Corporation Limited.

***Other in client type refers to asset distributed by Hang Seng Bank

Source: HSBC Asset Management as at 30 September 2022. Assets under management are presented on a distributed (AUD) basis. Any differences are due to rounding.

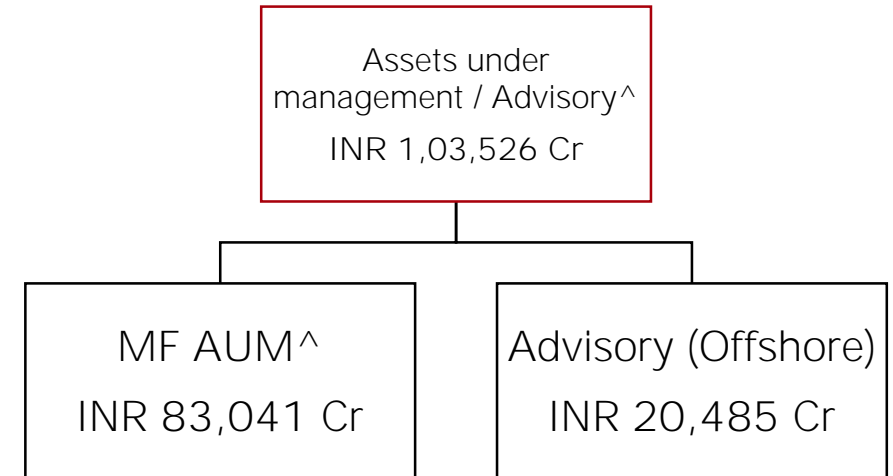
HSBC Mutual Fund

Expertise and experience



- HSBC Mutual Fund is a brand used by HSBC Asset Management India (part of Global HSBC Asset Management company)
- Launched first fund in 2002
- Managers/sub-advisors of Indian equity and debt assets from more than 20 years

Expertise in managing Indian equity and debt	On the ground presence combined with global oversight
International experience	Differentiated Product offerings



Reach, experience and expertise

HSBC Mutual Fund

1,03,526
INR crore AUM /
Advisory*

23,87,948
Customers

55,876
Distribution
partners

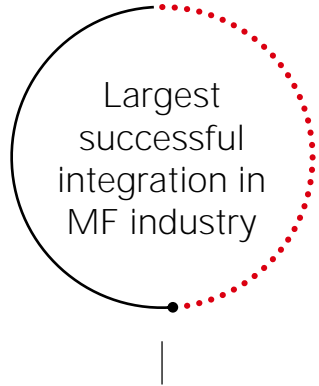
64
Locations

32
Investment
professionals

The reach, experience and expertise of HSBC MF has the potential to support distribution partners / clients effectively and help achieve significant mutual milestones.

Looking forward

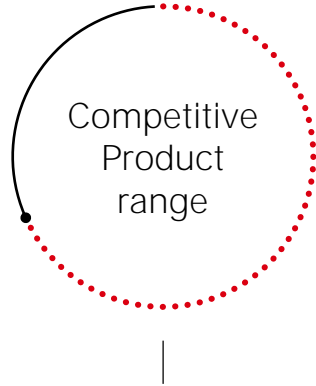
HSBC Mutual Fund



Successful completion of integration of L&T Investment Management (LTIM) with HSBC AMC.

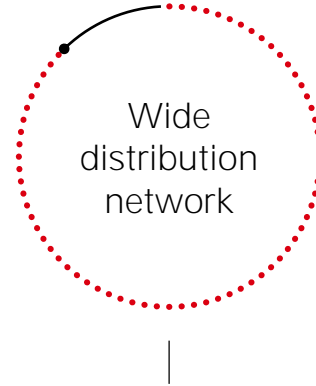
One of the largest merger in the Indian Mutual Industry.

A milestone in the growth journey of HSBC's wealth management strategy and commitment in India.



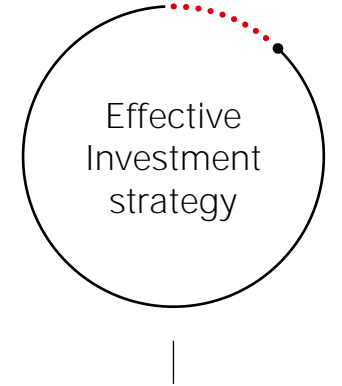
As a combined entity, we bring to you a wider and more competitive range of products and services.

HSBC Mutual Fund will now offer 39 open ended funds (11 Equity, 13 Debt, 5 Hybrid, 3 Index and 7 Fund of Funds).



We strongly believe that with our increased reach, distribution network and world class processes, we will be able to give a richer experience to our investors and serve them better.

Distribution network encompasses leading banks, regional distributors, 55,000+ MF Distributors (MFDs), as well as established digital platforms.



Our investment strategy continues to have the same discipline, rigour, and ethos in all our funds and the combined experience and expertise of our fund management teams will be beneficial to our investors.

Above all our combined and experienced team will be able to cater to the wealth management needs of our customers effectively.

Fixed Income Investment Management

Fixed Income - Investment Approach

Guiding principles that drive Investment philosophy and approach

Investment mandate

- Ensures that schemes are managed in line with stated objective / investment strategy of the scheme ensuring strong long-term credibility

Research based issuer selection

- Our strong in-house credit team has extensive expertise in credit research
- Responsible for conducting independent, unbiased and timely analysis of credit metrics

Robust risk management

- Identifying and managing risks emanating from
 - portfolio liquidity,
 - portfolio concentration,
 - credit quality,
 - market risk and
 - asset allocation

Fixed Income - Investment Process

Fixed Income investment process comprises three stages

Our Fixed Income investment team focuses on critical aspects of portfolio construction to generate attractive risk-adjusted returns through multiple diversified investment positions advised by in-house research.



Rigorous research to deliver relative value using a combination of top down and bottom up approaches

Right amount of diversification ensures a prudent risk profile

Asset class wise disclosure of AUM & AAUM

Asset class wise disclosure of AUM & AAUM (Rs. in Lakhs)		
Category	AUM as on the last day of the Quarter	Average AUM for the Quarter
Income	2,121,129	2,151,699
Equity (other than ELSS)	4,378,048	4,448,317
Liquid	1,403,888	1,573,749
Gilt	23,909	24,196
Equity ELSS	331,961	340,657
Fund of Funds investing overseas	45,264	45,368
Total	8,304,199	8,583,987
Fund of Funds investing Domestic	13,754	13,920

Disclosure of percentage of AUM by geography	
GEOGRAPHICAL SPREAD	% of Total AUM as on the last day of the Quarter
Top 5 Cities	80%
Next 10 Cities	12%
Next 20 Cities	5%
Next 75 Cities	3%
Others	0%
Total	100%

Disclaimer

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

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