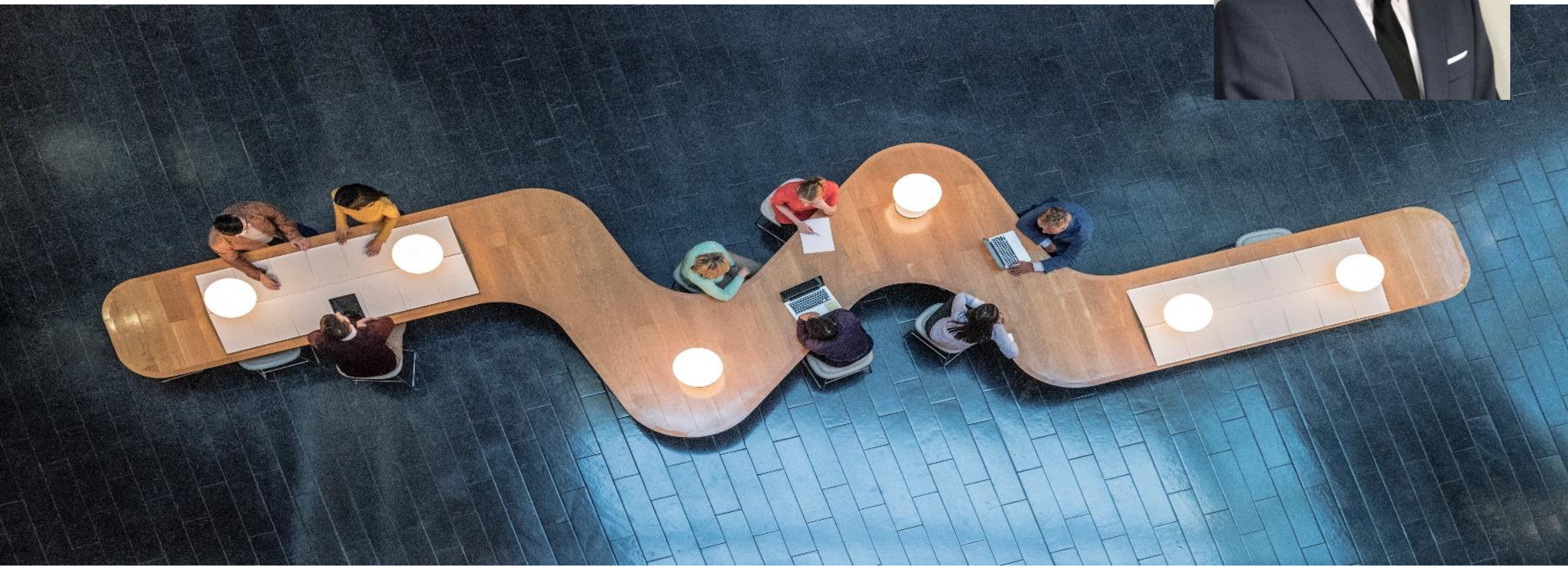
In focus with Tushar Pradhan

June 2020



An event heavy month with gradual lockdown relaxations

Equity Market update

After the sharp rally in April, equity markets pared some of the gains during May ‘20. It remained an event heavy month as the country witnessed gradual relaxations in the lockdown restrictions. BSE Sensex and Nifty were down 3.7% / 2.7% respectively while the broader market indices viz BSE Midcap and Smallcap indices did slightly better but still declined at 1.3% and 1.9% respectively.

Indices	Last Close	1 Month (Change)	CY 2020 (Change)
S&P BSE Sensex TR	47517	-3.7%	-21.1%
Nifty 50 TR	13503	-2.7%	-20.9%
S&P BSE 200 TR	4864	-2.3%	-20.0%
S&P BSE 500 TR	14923	-2.3%	-20.3%
S&P BSE Midcap TR	14242	-1.3%	-20.4%
S&P BSE Smallcap TR	12998	-1.9%	-20.0%
NSE Large & Midcap 250 TR	5948	-2.1%	-19.8%
S&P BSE India Infra Index TR	164	-0.5%	-25.0%
MSCI India USD	457	-2.9%	-22.7%
MSCI India INR	1122	-2.2%	-18.1%
INR - USD	76	0.7%	5.9%
Crude Oil	35	39.8%	-46.5%

The government outlined a roadmap for reopening of the economy in phases for areas outside of the containment zones. Essentially, the government directives shall pave way for gradual return to normalcy while also adhering to the prescribed safety norms. India’s total confirmed COVID-19 cases has crossed 180,000 but we have witnessed sharp improvement in the recovery rate to about 48% at the end of the May ‘20.

Along with this, the growth rate of active cases is witnessing a decline while the case-fatality rate has also remained stable. Most of the confirmed cases continue to be in the urban zones with 51% of the cases concentrated in the 5 districts.

Government announced an overall INR 20 trillion economic relief package during the month to tide over the challenges posed by COVID-19 pandemic and the lockdown. The whole package included RBI monetary measures as well as the fiscal package announced in March. The economic package announcements can be broadly bracketed into Liquidity measures, Reforms and Fiscal push. The liquidity support came largely in the form of guarantees to ensure credit lines to the troubled segments of the economy. The reform measures focused around opening up of PSUs, land, labour and agricultural market access. These reform measures are structural in nature and will have positive implications from a medium to long term growth perspective. The direct fiscal boost, however, disappointed market participants as the quantum (about 1% of GDP) was small compared to the overall headline number. The notable part of the fiscal boost came in the form of the additional outlay envisaged in the MNREGA allocation to the tune of INR 400 bn, which is positive for rural employment.

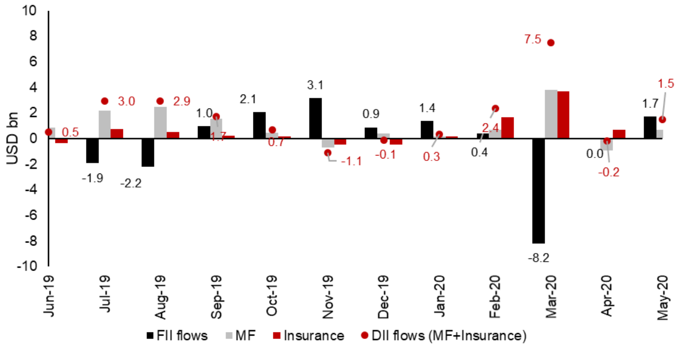
RBI, again, in an out of turn meeting decided to reduce the policy rates by another 40 bps, taking the repo rate to 4% and reverse repo to 3.35%. The reverse repo rates have seen a cumulative cut of 155 bps since March 2020.

HSBC Global Asset Management

India's real GDP growth for the quarter of Jan – Mar 2020, saw a growth of 3.1% YoY but came above consensus expectation. However, there is a caveat that the estimate could be revised downward as the data collection was difficult during the lockdown phase. The FY20 full year growth came in at 4.2%, which is at a 11-year low. During FY20, the consumption growth moderated to 5.3% (vs. 7.2% in FY19) while both investments and exports saw contraction.

FII segment turned net buyers after being net sellers in the past 2 months. FIIs net bought equities worth USD 1.72 bn during May, moderating the net outflow tally so far this calendar year to USD 4.91 bn. The DIIs also raked in a net positive tally for the month at USD 1.5 bn with both segments viz MFs and Insurers seeing net inflows. MFs recorded net inflows of USD 674 mn while domestic insurers saw net inflows of USD 826 mn. Insurers have remained net buyers in equities in all 5 months of this calendar year (~USD 6.48 bn of net inflows). DIIs at an aggregate level have been net buyers in equities to the tune of USD 11.54 bn so far during this calendar year.

FII & DII inflows



Global Market Update

Despite the challenging economic environment worldwide, the global equity indices continued to exhibit positive momentum through May. This came on the back of easing of lockdown restrictions, slowdown in global infection growth as well as positive newsflows around drug / vaccine developments. India underperformed key global equity indices during the month.

International Indices (in USD)

Indices	Last Close	1 Month (Change)	CY 2020 (Change)
MSCI World	2,148	4.6%	-8.9%
Dow Jones	25,383	4.3%	-11.1%
S&P 500	3,044	4.5%	-5.8%
MSCI EM	930	0.6%	-16.5%
MSCI Europe	1,477	4.2%	-17.2%
MSCI UK	887	0.7%	-25.5%
MSCI Japan	3,160	5.9%	-8.1%
MSCI China	81	-0.8%	-5.4%
MSCI Brazil	1,338	8.4%	-43.6%

At the same time, there were incremental adverse developments around the US-China relations, post China's introduction of national security law in Hong Kong. The global crude prices staged a spectacular recovery by surging 40% during May on hopes of demand revival post re-opening of economies worldwide.

Macro market view

FY21 will be a challenging year for the Indian economy on several counts. India is estimated to see a contraction in real GDP during this financial year. As per some initial estimates, real GDP is likely to decline by ~5% during FY21. Despite reopening of the economy, the second order impact of the lockdown could be felt through several segments of the real economy, post lockdown. These are in the form of disruption in household incomes, employment losses especially in the unorganised sector (which is roughly 88% of India's labour force), deteriorating asset quality of corporates (leading to default risk, lower capex, growth as well as hiring moderation), among others. Additionally, the fiscal deficit for FY21 (both Central as well as combined deficit including that of states) is likely to surge on account of the measures that have been already announced and revenue loss due to sharp slowdown in growth. This also constrains government's ability provide continued direct fiscal stimulus to revive flagging demand. The investment cycle will likely be further pushed back. Since the global growth is also going to take a beating, the external demand is also likely to remain challenging. Government's economic relief package and RBI's interventions so far, can stabilize the economic system to some extent but not fully. More fiscal and monetary measures are expected and a meaningful direct fiscal boost may be needed to accelerate the recovery path.

Equity Market view

As the economic forecast for FY21 provides a bleak picture, the corporate earnings trajectory will also be impacted meaningfully owing to the lockdown. Additionally, the second order impact of the lockdown could delay the recovery process and we have limited visibility on that front at this juncture. The equity markets have remained rather resilient, since fall in March, despite adverse economic impact visible on the ground. The markets may be factoring in a benign scenario of no second wave of the virus and recovery in economy from 2HFY21. It could be worse. Additionally, we feel that the second and third order impact of the crisis would mean that the recovery process will likely be elongated and painful. We are also concerned about the adverse impact on the disruption in household incomes due to employment losses in the unorganized sector, reduces wages across the economy, lower capex and investments leading to lower job creation, and asset quality woes affecting financial markets, among others.

FY21 will likely be a lost year due to likely zero to negative nominal GDP and negative earnings trajectory for aggregate corporate earnings (though it is still evolving). The 4QFY20 earnings season is showing pressure points even with just 10-15 days of COVID-19 disruption during March. As a result, we believe that the risk – reward balance is less favourable and we remain cautious in the near term.

Valuations

Nifty is currently trading at 19x / 17.1x FY20/21 expected earnings which are at Rs. 505 / 560 respectively. Also, these valuations are implying 10% earnings growth in FY21, which we believe will be cut meaningfully over the next couple of quarters. The unknown-unknown nature of the crisis will mean that the extent of earnings impact for FY21 is not measurable at this juncture. If FY21 is going to be no growth year then the Nifty valuations will still be at 19x for FY21. And if we assume an earnings de-growth of 5% then the valuations will be 20.5x for FY21. However, if the virus spread is contained and it doesn't see a second wave and normalcy in the economy returns in the 2H then FY22 will see a good growth due to positive leverage as well as a favourable base.

Key Factors to Consider

- Peaking of the COVID-19 infections and flattening of the new infections curve globally and in India
- Ongoing global response to the COVID-19 pandemic and containment measures
- Impact of COVID-19 on economic growth and corporate earnings for 4QFY20 as well as FY21 in India
- Follow on fiscal and monetary actions in India to contain the impact of the crisis
- Global factors: Impact of the crisis on global growth, follow on fiscal and monetary actions worldwide, US – China tension, Crude oil price trajectory etc.

Portfolio Strategy and Update

From a portfolio point of view, we are continuing with our stance from the last month. During the months of March and April, we had made changes to the portfolio to reflect the evolving situation. The portfolio required a change due to the fact that the impact of the Pandemic and the resultant lockdown in the economy on different sectors wouldn't have been uniform. More tellingly, in some cases. the price disruption wasn't aligned with likely deterioration of respective businesses. And in some cases gap between value and the price of the business expanded, giving us opportunities.

We remain positive on companies/sectors that is expected to demonstrate resilience in their earnings leading to lesser cut in earnings for FY21. This is likely to be demonstrated by segments that are in business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We are moderately positive on companies which would be beneficiaries of a benign crude oil price environment. These would be sectors where their raw material prices are linked to crude price. We are also positive on the beneficiaries of the global supply chain diversification, away from China. (e.g. Specialty Chemicals). We are also moderately positive on companies that can demonstrate faster rebound in the economic recovery process. Thus, within Discretionary consumption we are more favorably aligned towards small-ticket consumption items. We used the market correction to reorient the exposure within the Consumer Discretionary towards likely beneficiaries of the pent-up demand. However, we retain our negative stance on consumer services (e.g. Hospitality, Travel, tourism, Entertainment, etc.).

We are neutral on Financials, where we believe that growth would slow-down as well as we see the risk of non-performing loans spiking, going forward. However, we believe that the Government / RBI interventions could ensure that the financial markets continue to function normally. But the sector is likely to see further polarization. We believe that the players with strong capital position, granular liability franchise, diversified asset base, efficient risk management framework and future ready digital platforms, should gain. Thus, our exposure in financials is primarily through select large Private Banks and NBFCs.

We have an underweight stance on capex/investment intensive and/or labour intensive sectors. Private capex is likely to be pushed further back. Capex is also unlikely to be a priority for the government due to resource constraints. Labour market is dislocated due to reverse migration of labour and there is uncertainty about the timing and extent of this labour coming back. As a result, we have reduced our exposure to the above themes with the larger exposure being to the market leaders in respective sectors. Our underweight stance in Infrastructure, Industrials, Utilities, Construction, Real Estate, and Energy reflects this thought process.

Note - Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD return for global indices. (source: Bloomberg estimates as of May 2020 end).

HSBC Mutual Fund - sector positioning

Consumer Staples - Overweight

- We believe that earnings of the sector would be resilient. The impact of the lock-down will be felt relatively less compared to other sectors given that it is serving basic and essential needs and this would lead to lesser cut in earnings for FY21. Impact of down trading on margins would be partly mitigated due to lower raw material (crude linkage) prices.

- From a medium term perspective, the sector is a beneficiary of the corporate tax reform as it will boost earnings and provide additional cushion for the companies to invest back in the business and gain market share. Our preference is for category leaders and/or trading at relatively reasonable valuations.

Healthcare – Over weight

- We are overweight on account of the expected resilience in earnings and also ability to retain the demand in the current environment compared to other sectors. Recent approval of facilities by the US FDA will improve the prospects of US business of investee companies. We also believe that the focus of buyers in the US will also be to ensure steady supply of generic drugs, whereas in the past, price reduction was the only focus. This should ease pricing pressure for Indian companies as well as give them higher visibility of demand. Domestic business will see a modest growth as chronic segment will be stable but acute segment will show a decline. Stabilization of raw material supplies from China has eased pressure on raw material sourcing. We have increase our exposure to the sector, primarily through companies having US generic business as well as domestic business.

- Our exposure to hospitals/pathology labs is under anticipation that their demand would recover once lockdown is lifted as their services are largely non-discretionary.

Communication Services – Over weight

- Telecom is one sector that will see very limited impact of the lock-down in the country owing to the essential nature of the service. Looking beyond this crisis period, the telecom sector continues to be a beneficiary of consolidation and tariff improvement. We see profitability of the sector coming back strongly and the post consolidation phase would benefit players who are better positioned on network / spectrum and also with better access and ability to deploy future capital. Our preference is for players with relatively stronger balance sheet and showing better execution on the ground.

Consumer Discretionary – Equal weight

- We have moderated our position here. The impact of the lockdown will not be felt uniform across all Consumer Discretionary players. We are positive on companies that can demonstrate faster rebound in the economic recovery process. This would be demonstrated in names that can see pent up demand post the disruption phase. We have used the correction to reorient the exposure within the sector and have been adding to names where the price correction has been steeper than the value destruction of the business. Within the space, we are more positive on consumer goods as against consumer services part of the discretionary basket. Also, within the consumer goods we are oriented more towards smaller ticket consumption items and companies that are relying on higher B2C driven demand compared to institutional demand. Our exposure is through names which are market leaders, beneficiaries of the shift to organised and trading at reasonable valuations.

Materials – Equal weight

- We have a clear preference for domestic materials and we are underweight on global cyclicals. We are not positive on the global cyclicals due to the headwinds to the global demand which has been accentuated by the COVID-19 crisis. We are neutral on domestic cyclicals like cement due to growth slowdown but there is hope for recovery post opening of the economy. In the mid and small caps, we have exposure to the specialty chemicals which will benefit on demand arising from end user industries like agrochemical, pharma etc. Diversification of global supply chain away from China could further benefit Indian companies as they are already a part of the global supply chain. Our exposure to the sector is through market leaders and less leveraged names.

Financials – Equal weight

- We have moved to EW from our long standing position of OW in the sector, assessing the impact of COVID-19 disruption. Given the lock-down scenario, lenders' earnings are at risk due to decline in credit growth and sharp rise in credit costs driven by the adverse impact of the lock-down on the economy. Hence, we have reduced exposure to the sector.

- However, with government / RBI actions (economic package and regulatory relaxation), the impact on earnings can be reduced. As the liquidity conditions remain benign, margin (NIM) pressure would be contained. In this environment, we expect the large and well capitalised private banks with strong liability franchise to be able to handle the dislocation better than the smaller players. At the same time, the valuations of these banks have become attractive. We have cut our exposure to insurance and other capital market plays, as we expect the financialisation of savings to take a back seat in this uncertain economic environment.

Fixed Income update

Market Summary for the month of May

The markets remained range bound in May, with a bit of volatility in the initial part of the month when Government announced increase in scheduled borrowing plan for the year. In addition, there was some nervousness around the INR 20 trillion package before the details of the package were made known. Post the outline of the details, markets did see a relief rally as the package was not very expansionary. Further during the course of the month, RBI's 40 bps rate cut and accommodative policy brought some mild positive spin to the market. The overall action has been largely range bound with outperformance restricted to the front end of the curve. Corporate bond issuance saw some activity driven by (Targeted Longer Term Refinancing Operations) TLTRO issuances and REC/PFC issuances to fund DISCOMS.

Outlook

RBI's accommodative measures were directed at both funding cost via rates and were aimed at easing financial conditions- a clear signal that RBI is fully aware of the current stress in the financial system and will do what it takes to ease the conditions. In the current backdrop of a very weak fiscal condition, RBI is doing a lot of heavy lifting in terms of rates and policy measures and we can continue to expect that RBI (and government) to not lift the pedal off the accelerator until the economy begins to revive. With liquidity as the key driver, we would retain a constructive view on the front-end of yield curve. The longer end performance is a function of demand-supply and other variables which are tentative and uncertain. While the gradual release of lockdown and resumption of economic activity is positive, it is only so at the margin. We expect rally to return to the markets only when the pandemic situation abates and global risk appetite returns. Until then we would expect markets to remain on tenterhook, supported by RBI tools such as Open Market Operations (OMOs), twist operations and other accommodative measures. We continue to maintain the cautious stance on the longer end of yield curve.

Growth outlook - continues to remain weak impacted by pandemic and lockdown

GDP: India Q4 GDP came in higher at 3.1% than consensus expectation of 2.2%. Alongside, growth in previous quarters was revised downwards with full year GDP for FY20 at 4.2%, which is the lowest in 11 years. The key drivers of the growth are government spending and agriculture. Particularly for Q4, agriculture has performed the best at 5.9% driven by a strong Rabi harvest. For the current year, FY21 growth is expected to be in the negative territory, with the maximum impact in Q1FY21 and the pace tempering as the lockdown is lifted gradually. However, resumption of activity depends on several factors, the key being the extent to which the spread is contained, return of migrant labour, resumption of travel and transport among many. The key positive is continuation of good agriculture performance with monsoons expected to be normal this year.

Core sectors: India's eight core infrastructure sectors contracted by a record 38.1% in April with cement and steel output shrinking 86% and 83.9% respectively, while electricity and coal output falling 22.8% and 15.5% respectively. India's manufacturing PMI for April had already fallen to a record low of 27.4 while merchandise exports had contracted 60% as the economy came to a halt due to the nationwide lockdown.

India IIP came in at -16.7% in March, with a steep fall in capital goods -35.6%, consumer durables -33%, consumer non-durables -16.2% etc. note that only the last 10-12 days of March were severely impacted by lockdown

Policy Actions - Central bank's heavy lifting with GOI providing the necessary tools

RBI Policy: In a surprise preponed monetary policy decision, as the third monetary boost since the lockdown in March 2020, RBI delivered a 40 bps Repo Rate cut, taking the Repo Rate to 4% and Reverse Repo to 3.35%. In addition, RBI announced an extension of moratorium by another 3 months up to August 31, 2020, allowing borrowers to convert deferred interest during the moratorium period to term loan, increasing group limits to 30% from 25% and relaxing state borrowing restrictions among many other measures. The decisions were driven by MPC members view that the inflation outlook remaining benign as lockdown related supply disruptions are mended, and the policy space to address growth concerns need to be used now rather than later to support the economy. While growth inflation dynamics is also ridden with uncertainties, at this point it seems to be tilted well in favour of reviving growth. Governor in his narrative mentioned that RBI expects growth for FY21 in the negative territory. Overall, RBI is expected to remain accommodative to use policy space to revive growth.

Government Economic Relief Package: Government announced its much awaited economic relief package of ~INR 20 trillion, which fiscal impact of ~INR 2 trillion of ~1% of GDP. The announced reforms are intended to provide liquidity, ease the business environment in which companies operate both structurally and providing immediate relief during the pandemic to weaker sections while alongside using the current environment as an opportunity to initiate structural reforms aimed at improving the efficacy and ease of operations via policy measures rather than expenditure. Government has preferred to use a combination of off balance sheet measures (guarantees), leveraging PSE balance sheets (DISCOM liquidity support) and encouraged states to also participate in the heavy lifting (increasing their borrowing limit) rather than leverage their own balance sheet over and above the announced increase in borrowing.

Borrowing: During the month GOI also announced to increase the overall borrowing by INR 4.2 trillion, taking the total borrowing for the year to ~INR 12 trillion. The measures announced so far are within the revised borrowing limit.

Liquidity: Liquidity has largely been in surplus mode and going forward is expected to remain in surplus territory supported by RBI actions.

Inflation Outlook: Uncertain as impact of pandemic yet to be ascertained, but not an immediate concern

India's statistics agency did not release the compiled CPI for April, but data on its sub-components suggest the first complete month of lockdown led to a sharp increase in the prices of food items, even as pressure on the housing and health components ebbed. While headline inflation may stay elevated in the near term driven by demand-supply mismatch on food, it is expected to ease eventually as crop output is robust and core inflation is not expected to rise under the shade of the COVID-19. Furthermore, there is also heightened uncertainly on the extent of change as data itself has been only partially available.

External Factors – Oil and currency are well behaved

Oil: While oil prices moved from the USD 20s to USD 30s per barrel and remains in the upper end of the 30s, it is not an immediate cause of concern, until there is a sharp recovery in global demand. As the pandemic is not expected to subside sharply and world is expected to 'unlock' itself gradually, oil prices will also recover only slowly. India has not lowered its domestic fuel prices, therefore until demand resumes or growth picks up, the taxes from oil (albeit to a smaller scale) will bridge the revenue gap.

Currency: USD-INR volatility tempered from previous month and trended around ~USDINR 75 - 76 levels. Overall while FII flows remain negative, the pace of outflows has declined substantially. For the month of May '20 we saw an net outflow of ~INR 57 bn (INR 190 bn outflow in debt and INR 133 bn inflow in equity) vs net outflow of INR 123 bn in April 2020 and outflow of ~INR1.2 trillion in March 2020.

RBI foreign currency reserves have reached a record high of USD 490 billion and RBI in the policy call also mentioned that the reserve position is healthy covering upto 1 year of imports.

Fiscal Deficit – Overhang of fiscal deficit and incremental borrowing remains; Government focus on using non-expansionary measures

FY20 fiscal deficit came in at 4.58% vs revised estimates of 3.75%. Higher fiscal deficit was largely due to shortfalls on the revenue side, particularly the taxes as the slowdown in the economy was already evident prior to the lockdown. Government has not curtailed its expenditure sharply. Going forward, as revenue pressures are very steep, and government has already increased its borrowing plan by more than 50%, overhang of a steep increase in fiscal deficit from the planned 3.5% looms large. However, on the positive side, government has not yet chosen a significant expansionary route as evidenced in the economic relief package so far, choosing off balance sheet model and encouraging PSU and state spending to combat the fiscal pressures.

Debt market indicator (%)	Current	Previous week	Previous month
Mibor	4.01	4.07	4.48
Call Rate	3.75	4.05	3.75
Repo rate	4.00	4	4.40
1Y OIS	3.78	3.73	3.79
5Y OIS	4.26	4.15	4.32
3M T-Bill	3.24	3	3.60
1Y G-Sec	3.82	3.871	4.03
3YG-Sec	4.62	4.618	4.69
5Y G-Sec	5.46	5.417	5.69
10Y G-sec	5.78	5.752	6.08
AAA 5Yr Corp Bond	6.10	5.9	6.20
AAA 10yr Corp Bond	6.80	6.75	6.90
Forex Reserve ($ MN)	490044	-	479455

Portfolio strategy – Fixed income funds

Overnight to Money Market rates (up to 1 year)

We are focused on different segments of money market curve in these categories. RBI monetary steps and more importantly its accommodative stance and liquidity infusion has made money market current yields very attractive over policy rates and transmission in rates have begun to happen. We believe current risk reward is favorable towards higher duration in each category of funds. We continue to maintain overweight position in these categories on up to 1 year segment.

Short duration to medium term duration

This category is expected to benefit from attractive carry at short and medium part of the curve. It offers significant value for investors at current yields over policy rate in terms of spread. The spreads have come off quite significantly in the last few weeks but given the uncertainty of FPI flows in near term and continued supply from local corporates it seems the spreads are likely to be in a range from hereon. Despite the attractive yield pick, we are not overtly bullish on spreads and view it to trading the range for now. The gains will be more a function of carry rather than the capital gains. As such we maintain a marginal underweight/ equal weight stance verses the index in near term. We will be quick to change our stance once risk off sentiment towards emerging market stabilizes and we have sight over return of FPI flows.

Long bonds

There is scope for further accommodation and easing in the near to medium term however there is increasing expectation of extra supply of bonds from central and state government. Current lockdown is unprecedented and carries very high fiscal implications. Recent sovereign rating downgrade of Moody's from Baa2 to Baa3 (while remaining investment grade), increases the risk of reduced participation from FIIs. We would therefore continue to maintain an underweight stance on duration versus Index and take tactical calls only depending on evolving macro-economic environment.

Product Riskometer

HSBC Large Cap Equity Fund

This product is suitable for investors who are seeking*:

- To create wealth over long term
- Investment in predominantly large cap equity and equity related securities

Riskometer

Investors understand that their principal will be at Moderately High risk

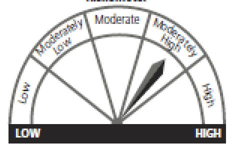
* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

HSBC Multi Cap Equity Fund

This product is suitable for investors who are seeking*:

- To create wealth over long term
- Invests in equity and equity related securities across market capitalisations

Riskometer



Investors understand that their principal will be at Moderately High risk

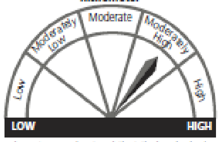
* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

HSBC Small Cap Equity Fund

This product is suitable for investors who are seeking*:

- To create wealth over long term
- Investment in predominantly small cap equity and equity related securities

Riskometer



Investors understand that their principal will be at Moderately High risk

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

HSBC Equity Hybrid Fund

This product is suitable for investors who are seeking*:

- Long term wealth creation and income
- Invests in equity and equity related securities and fixed Income instruments

Riskometer

Investors understand that their principal will be at Moderately High risk

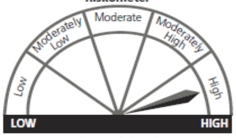
* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

HSBC Infrastructure Equity Fund (HIEF)

This product is suitable for investors who are seeking*:

- To create wealth over long term
- Invests in equity and equity related securities, primarily in themes that play an important role in India's economic development

Riskometer



Investors understand that their principal will be at High risk

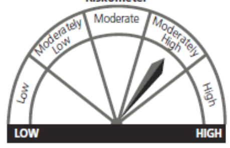
* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

HSBC Tax Saver Equity Fund (HTSF)

This product is suitable for investors who are seeking*:

- To create wealth over long term
- Invests in equity and equity related securities with no market capitilastion bias

Riskometer



Investors understand that their principal will be at Moderately High risk

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

Scheme Name

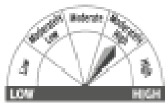
HSBC Large and Mid Cap Equity Fund

(Large & Mid Cap Fund - An open ended equity scheme investing in both large cap and mid cap stocks)

This product is suitable for investors who are seeking*:

- Long term wealth creation and income
- Investment predominantly in equity and equity related securities of Large and Mid cap companies

Riskometer



Investors understand that their principal will be at Moderately High Risk

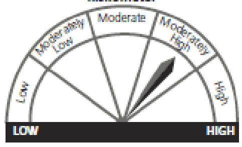
* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

HSBC Regular Savings Fund

This product is suitable for investors who are seeking*:

- Investment in fixed income (debt and money market instruments) as well as equity and equity related securities
- Capital appreciation over medium to long term

Riskometer



Investors understand that their principal will be at Moderately High risk

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

Product Riskometer

HSBC Low Duration Fund

This product is suitable for investors who are seeking*:

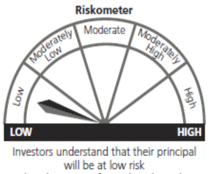
- Liquidity over short term
- Investment in a mix of debt and money market instruments such that the Macaulay^ duration of the portfolio is between 6 months to 12 months.

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

HSBC Cash Fund (HCF)

This product is suitable for investors who are seeking*:

- Overnight Liquidity over short term
- Invests in Money Market Instruments

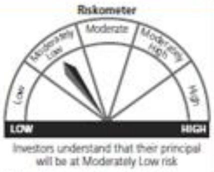


* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

HSBC Short Duration Fund

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

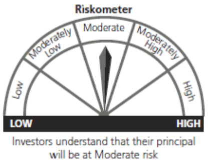


* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

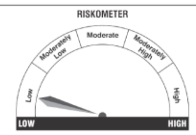
HSBC Flexi Debt Fund (HFDF)

This product is suitable for investors who are seeking*:

- Regular Income over long term
- Investment in Debt / Money Market Instruments



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

Scheme Name	Riskometer
HSBC Overnight Fund (Overnight fund – An open ended debt scheme investing in overnight securities) **This product is suitable for investors who are seeking*:** ☐ income over short term and high liquidity ☐ investment in debt & money market instruments with overnight maturity * Investors should consult their financial advisers if in doubt about whether the product is suitable for them.	 **Investors understand that their principal will be at Low risk**

Scheme Name	Riskometer
HSBC 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) **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. *	

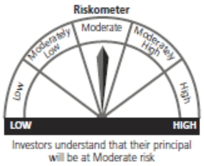
Investors should consult their financial advisers if in doubt about whether the product is suitable for them. Riskometer.

*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.

HSBC Debt Fund

This product is suitable for investors who are seeking*:

- Regular Income over long term
- Investment in diversified portfolio of fixed income securities such that the Macaulay^ duration of the portfolio is between 4 years to 7 years



* 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.

Disclaimer:

Data as at May 2020, Source – Bloomberg, HSBC Global Asset Management, India. except other wise mentioned other date. Returns mentioned in the report are the Total Return or TR variants of the respective indices.

This document is for information purposes only and does not constitute investment research, investment advice or a recommendation to any reader of this content to buy or sell investment product. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed in this report and should understand that the views regarding future prospects may or may not be realised. Past performance is not indicative of future performance.

Expressions of opinion are those of HSBC only and are subject to change without any prior intimation or notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed or recommended in this report and should understand that the views regarding future prospects may or may not be realised. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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

HSBC Asset Management (India) Private Limited, 16, V.N. Road, Fort, Mumbai-400001 Email: hsbcmf@camsonline.com

www.assetmanagement.hsbc.co.in