Fixed Income Opportunities

April 2024

HSBC Mutual Fund | Opening up a world of opportunity

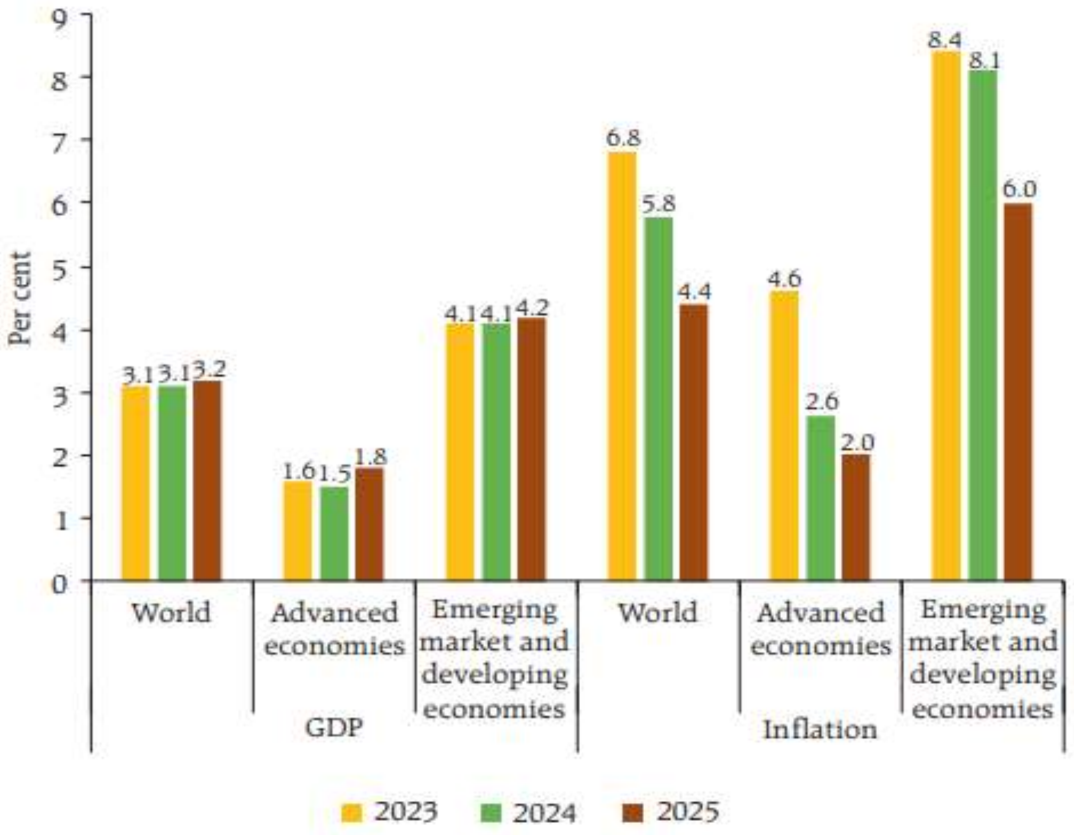
Index

Global economy – Growth vs Inflation dynamics

Global Economy remains resilient

despite unprecedented monetary tightening and geopolitical challenges

GDP growth across Markets

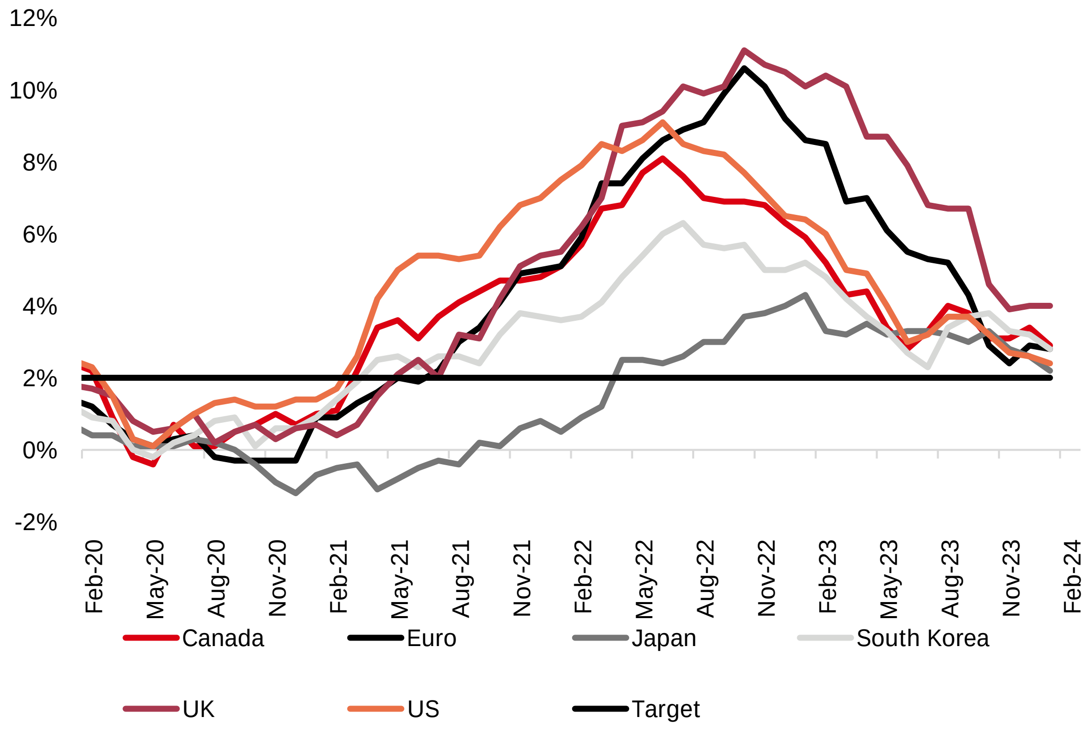


- Global GDP growth for 2024 and 2025 is expected to trail its historical (2000-19) average of 3.80
- However, near term growth forecasts are now stronger than as projected few months back

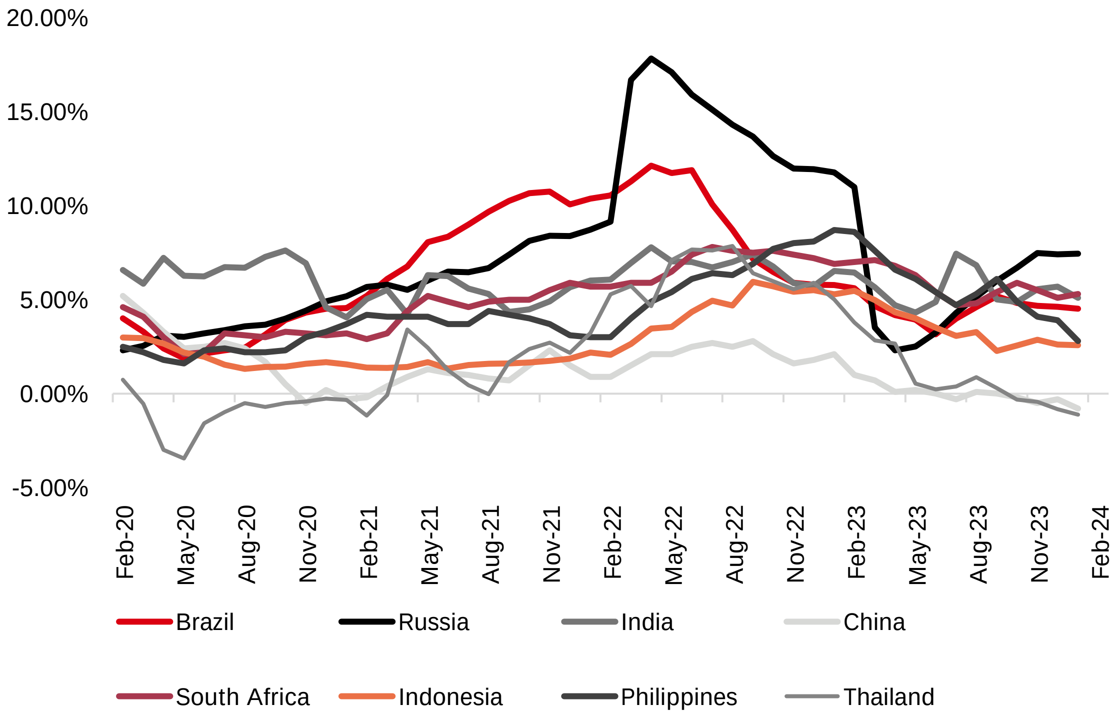
Source – MPR RBI April 2024, Bloomberg, Data as on Mar 31, 2024, Past performance may or may not be sustained in the future and is not indicative of future results. Note : Views provided above are based on information available in public domain at this moment and subject to change. Investors should not consider the same as investment advice. Please consult your financial advisor for any investment decision

Inflation has been easing - though still above target in several economies

Inflation across Developed Markets



Inflation across Emerging Markets



- Near term inflation expectations have fallen in major economies with long term expectations remaining anchored
- Risks to higher inflation continue to emanate from recent upsurge on Oil and commodity markets

Source – MPR RBI April 2024, Bloomberg, Data as on Mar 31, 2024, Past performance may or may not be sustained in the future and is not indicative of future results.

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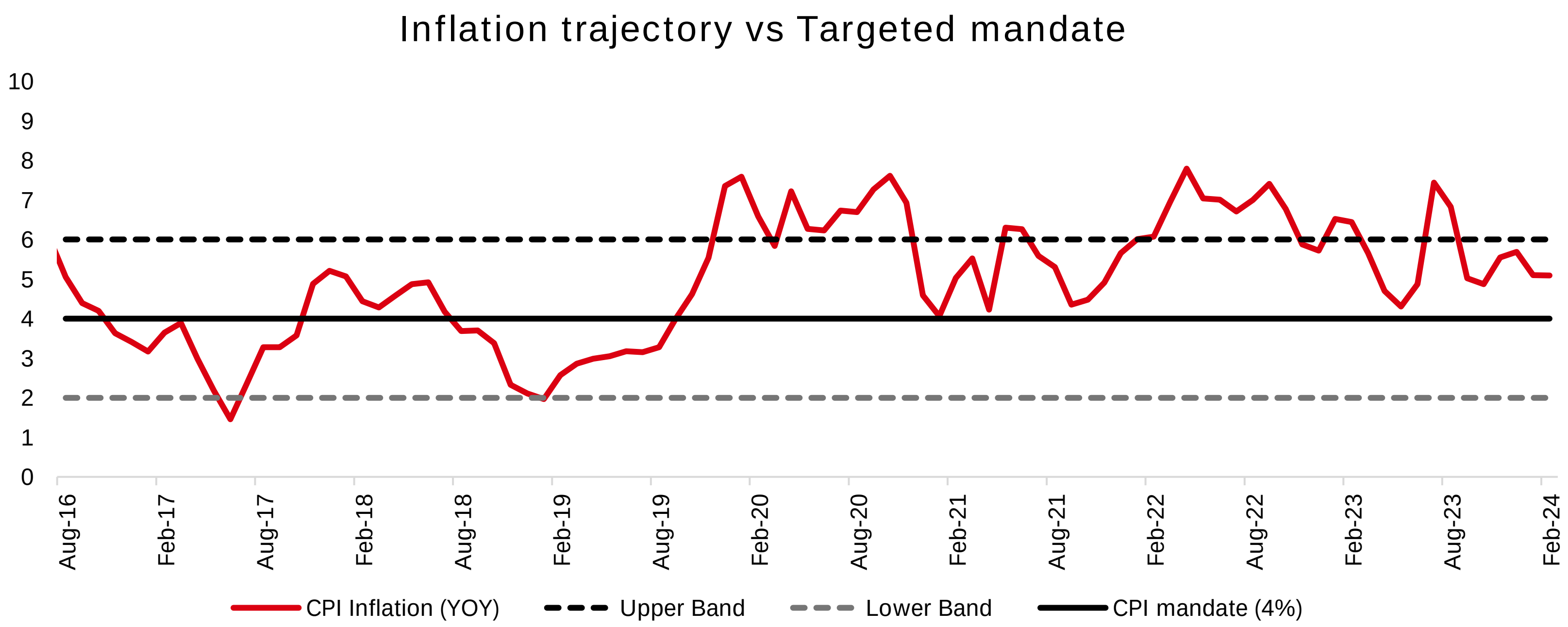
Indian Economy

fundamentally continues to be robust despite global headwinds

Substantial moderation of Inflation in India with core disinflation being broad based

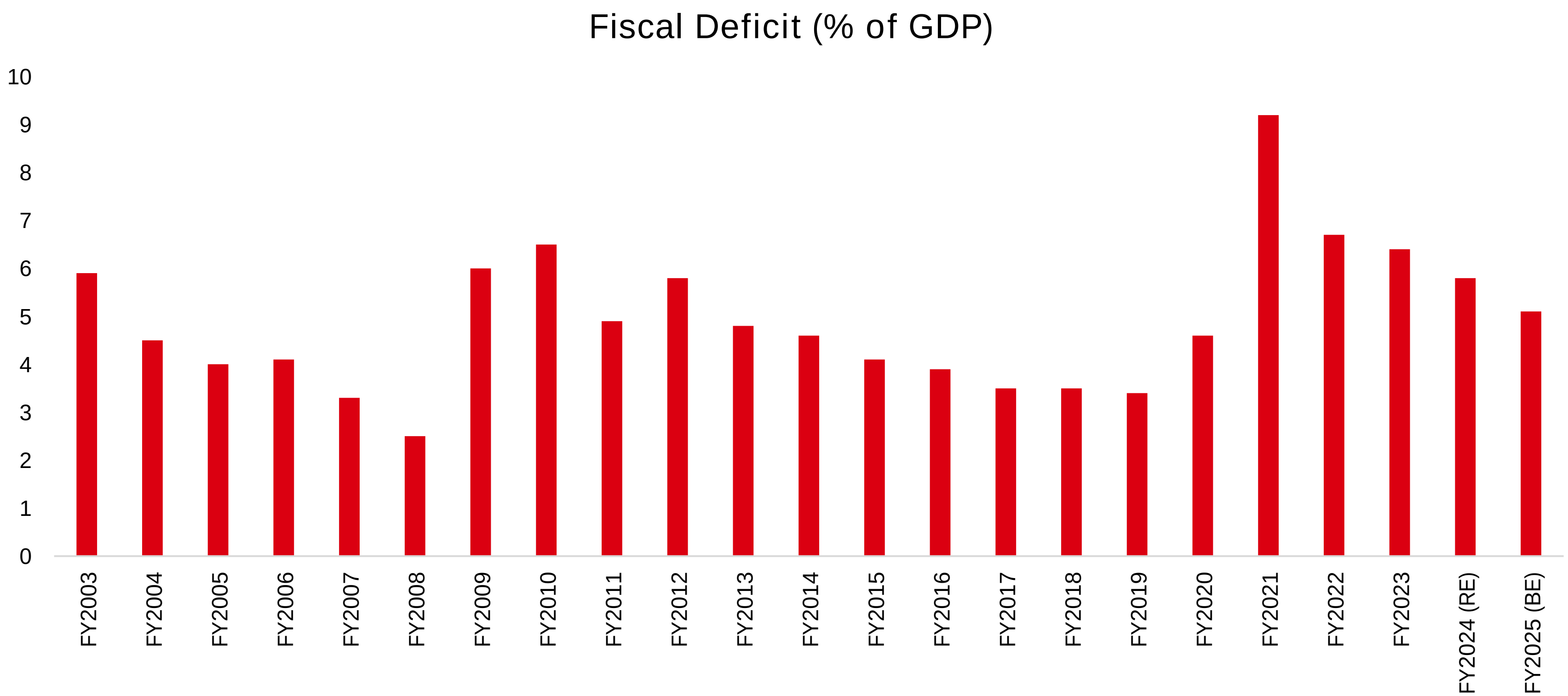


- The recent CPI inflation came in at 5.09%. As per RBI estimates, CPI for FY2025 and FY 2026 is projected at 4.5% and 4% respectively
- Core inflation has steadily been dropping over the last few months, with the Feb'24 print at a series low of 3.3%
- However, uncertainties in food inflation and recent firming up of international crude oil prices could add to generalized price pressures and interrupt the ongoing disinflationary process
- MPC reiterated that monetary policy must continue to be disinflationary to ensure anchoring of inflation expectations

Inflation is expected to reach 3.8% in Q2 FY2025, possibly opening up space for policy easing

Source: RBI, Bloomberg, Data updated as on Mar 31, 2024. 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Government focused on Fiscal consolidation - favorably impacting demand supply dynamic of bonds



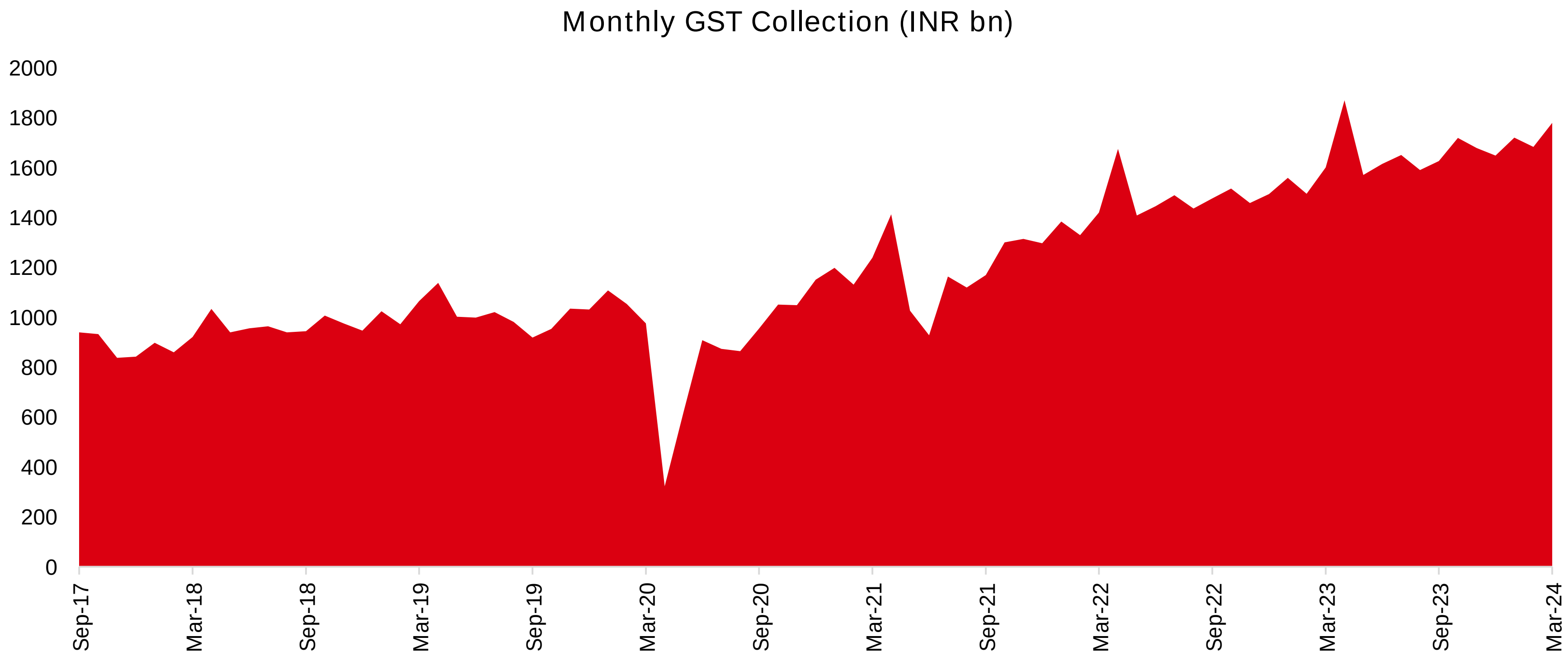
- Post 2014 general elections, Central Government deficits had consistently been brought down from 6% earlier to 3.5%
- During covid Govt deficit was raised above 9% and then brought down gradually to below 6%

Government’s target is to bring Fiscal Deficit to 4.5% by FY2026

Source: Bloomberg, Data as on Mar 31, 2024, RE – Revised Budget Estimates, BE – Budget Estimates

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

GST implementation leading to unlocking of revenues

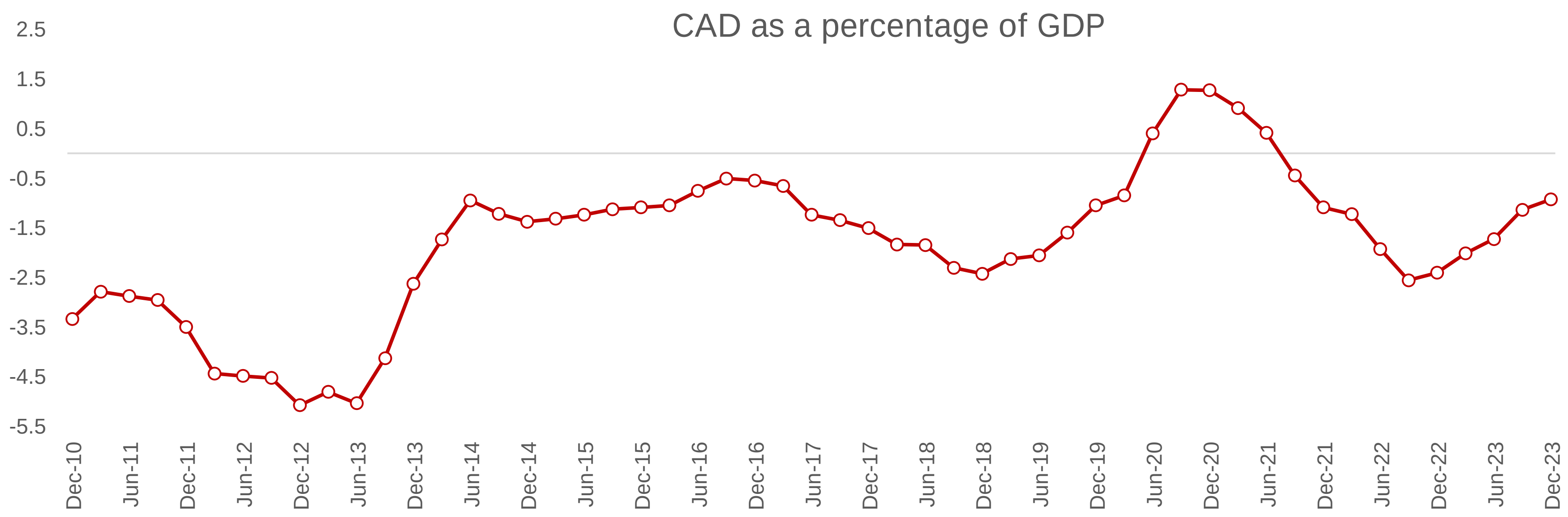


- GST collections have steadily improved since inception in 2017

Healthy tax collections has allowed Govt. to meet any additional spending without incremental borrowing

Source: Bloomberg, Data updated as on Mar 31, 2024. 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Strong External front outlook gives space for RBI to focus on price stability

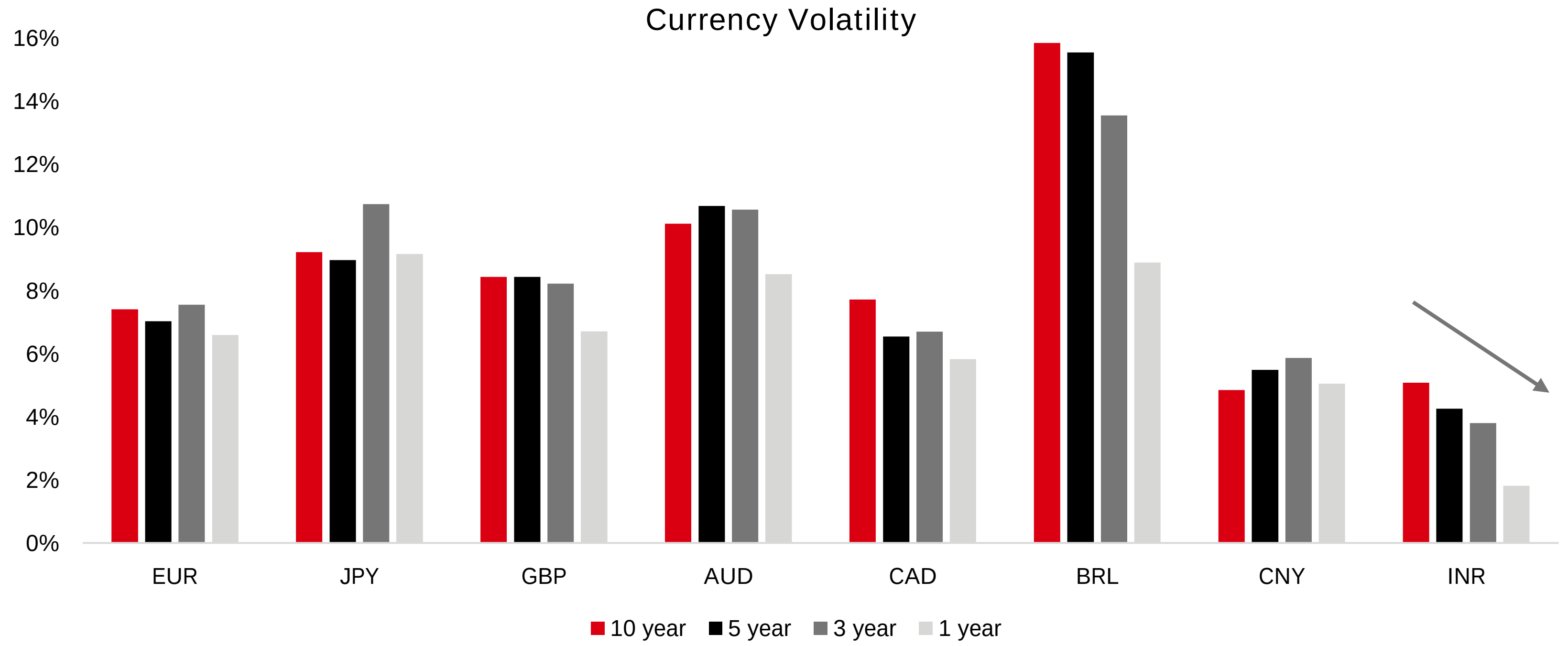


- India's current account deficit is hovering close to 1% of GDP in October-December 2023 quarter, compared to above 2% in the same quarter of the previous year.
- Median projections of professional forecasters indicate CAD to remain between 1% to 1.2% of GDP from FY 24 to FY 26

Healthy Service exports and remittances along with strong FPI flows expected to keep BOP in surplus leading to stable domestic economy with low imported inflation

Source: Bloomberg, Data updated as on Mar 31, 2024. 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Strong macro economic stability allows RBI to effectively manage currency volatility giving confidence to Bond investors

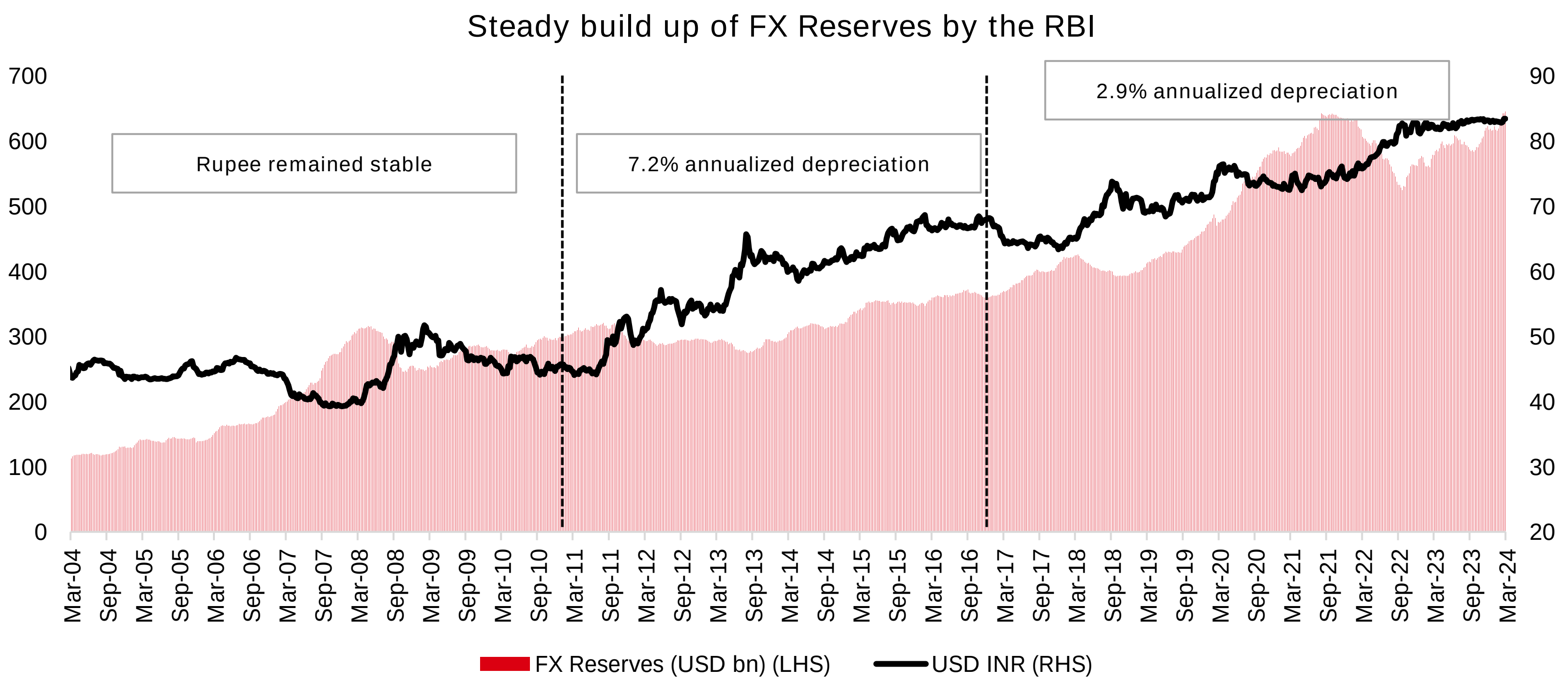


- Rupee has remained fairly stable compared to other currencies over the last 10 years
- Over the last year, volatility in INR has remained among the least

Rupee has remained one of the most stable currencies

Source – Bloomberg, Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.
Monthly time series of data considered for various indices

High Forex reserves to provide ammunition to RBI in case global markets volatility heightens



- Rupee weakened through the period of 2011 to 2016 due to weaker domestic macro factors and global events
- With increased focus on fiscal prudence, inflation target mandate and FX reserve build up since 2016-2017, Rupee has been more resilient to global shocks
- Going forward, we expect strong fundamentals to continue, with Rupee remaining stable and witnessing low depreciation

Rupee could do better than 2017-23 period and possibly show the stability witnessed during 2003-10

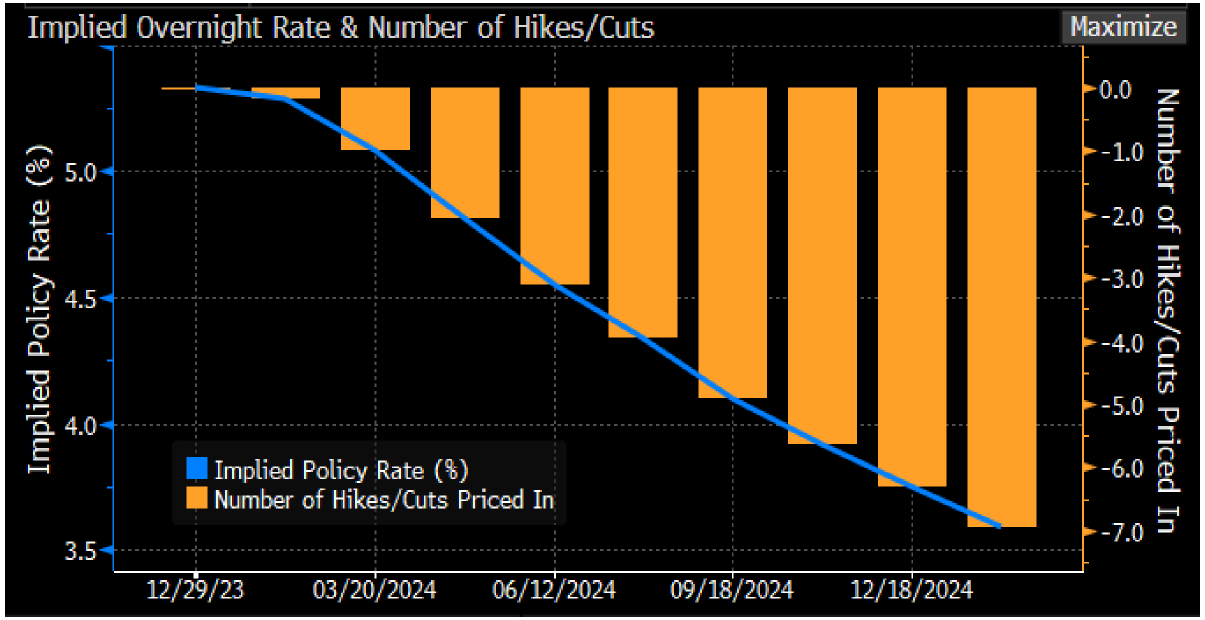
Source: Bloomberg, Data updated as on Mar 31, 2024. Note : Views provided above are based on information available in public domain at this moment and subject to change. Investors should not consider the same as investment advice. Please consult your financial advisor for any investment decision. Past performance may or may not be sustained in the future and is not indicative of future results.

Global Bond markets

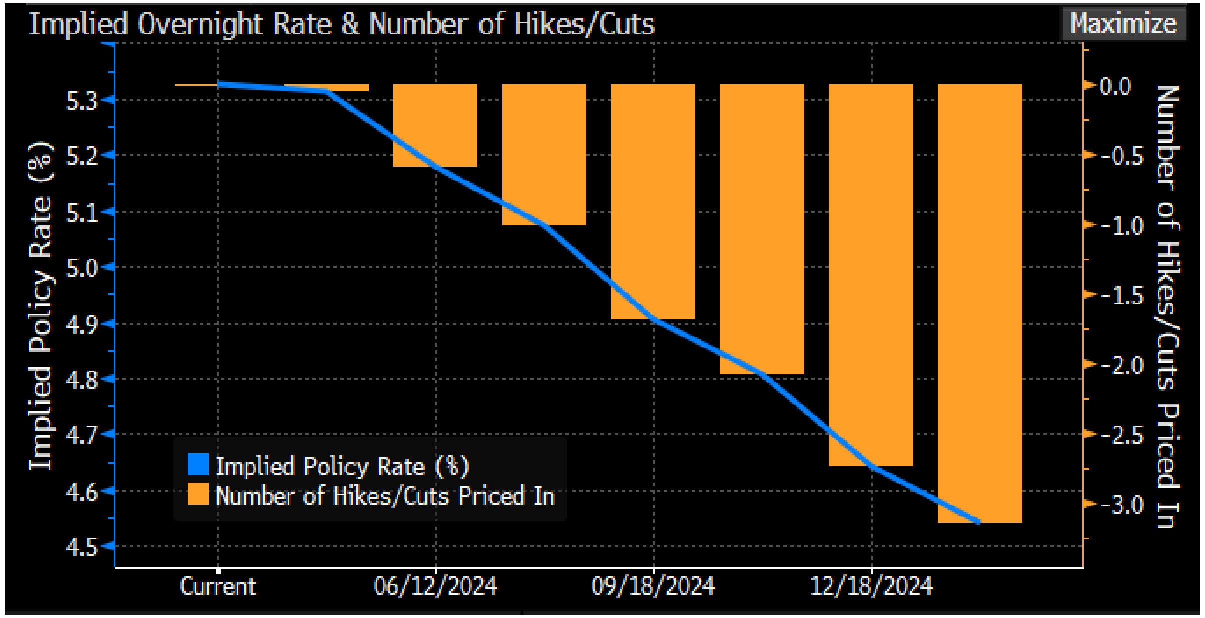
continue to remain volatile based on incoming economic data and evolving expectations on monetary policy trajectory

Fed Funds Rate: Implied Policy Rate changing expectations giving rise to Bond market volatility

US Fed implied policy rate on 31st Dec 2023



US Fed implied policy rate on 4th Apr 2024

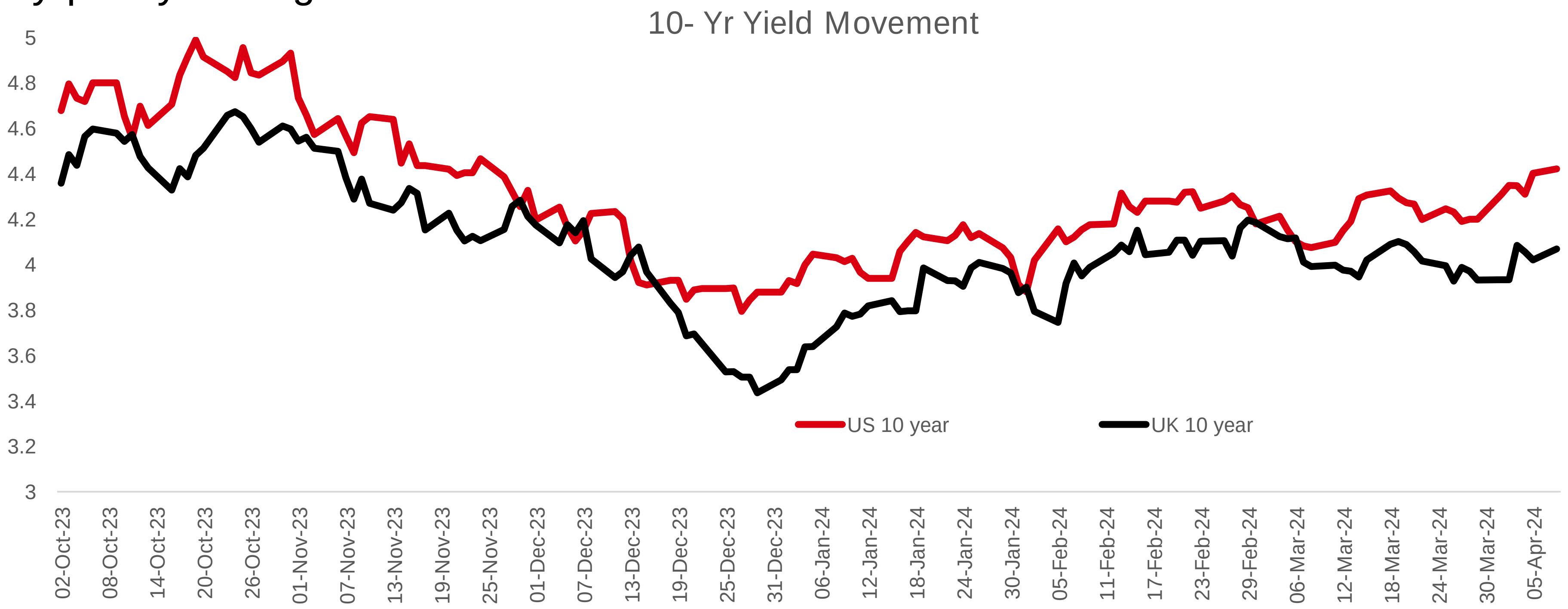


- Markets, which were earlier pricing in 6-7 rate cuts in 2024, are now pricing in only 3 rate cuts (in line with the Dot plot estimates)
- The FOMC revised the inflation projections and growth estimates higher, while unemployment rate was revised lower

Rate cut expectations have got pushed back and the quantum of easing expected has fallen

Source – Bloomberg, Data as on Apr 05, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Government Bonds yields have turned volatile as market tries to decipher magnitude and pace of monetary policy easing



- Market exuberance on early reversal of US monetary policy has been now pushed back with recent economic data suggesting strong momentum in US economy.

Volatility can increase going forward depending on incoming economic data

Source – Bloomberg, Data as on Apr 08, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

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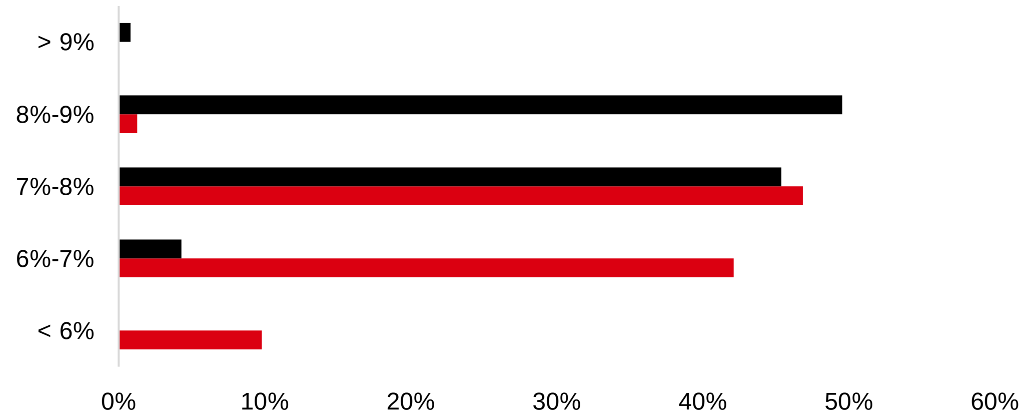
Indian Bond markets – Relatively far more stable and orderly

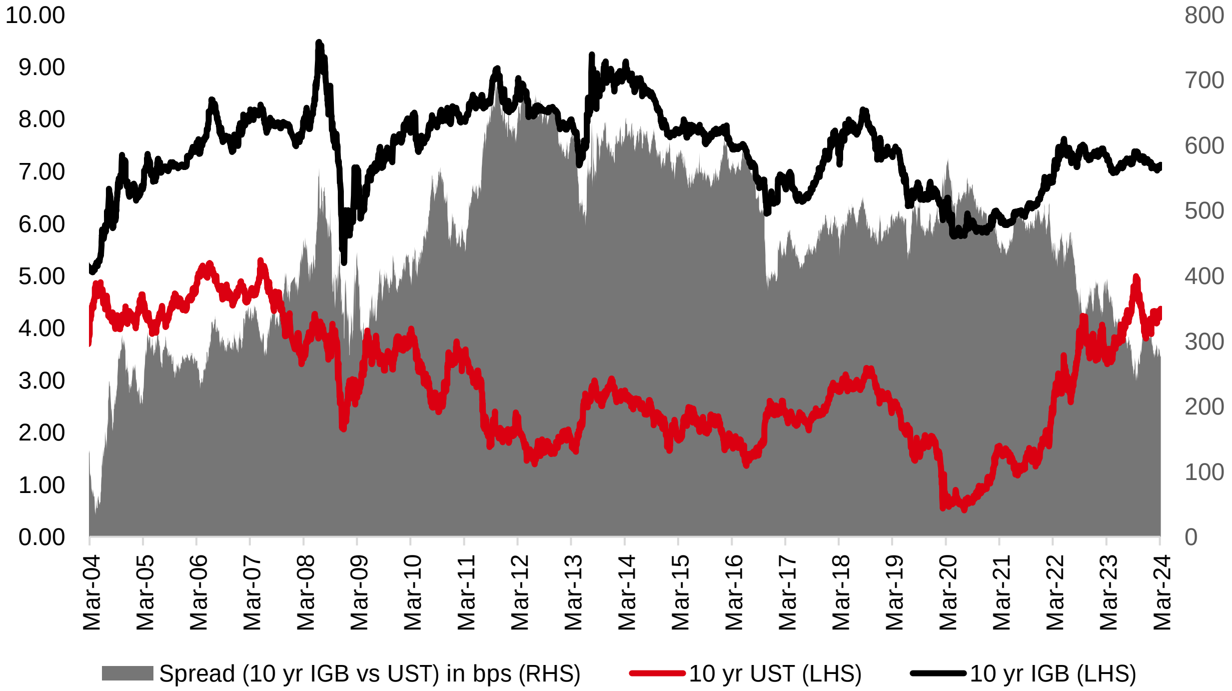
Strong macro-economic fundamentals resulting in reduced volatility in IGBs* – Positive for investors

10 year IGB historical trading band



	< 6%	6%-7%	7%-8%	8%-9%	> 9%
■ 2010-2016	0%	4%	45%	50%	1%
■ 2017-2024	10%	42%	47%	1%	0%

■ 2010-2016 ■ 2017-2024



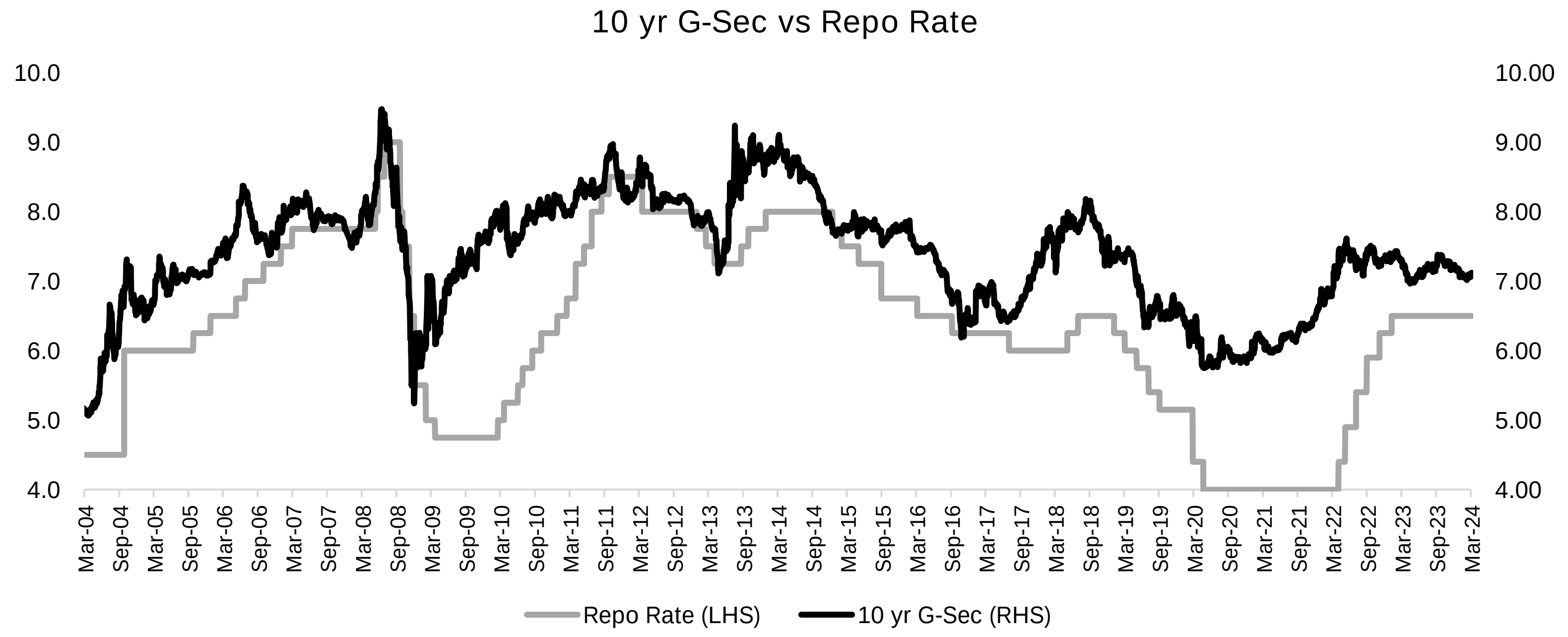
- Since 2017, 10 year G-Sec has broadly traded in the 6%-8% band, while between the period 2010 to 2016, the trading band was 7%-9%
- Spreads between IGBs and USTs have historically been above 300 bps
- Spreads have narrowed lately due to a sharp rise in US Treasury yields, IGBs have remained broadly stable during this period

Policy credibility leading to interest rates trending lower, with fewer spikes

Source – Bloomberg, Data as on Mar 31, 2024, 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. IGB – Indian Government Bonds, Past performance may or may not be sustained in the future and is not indicative of future results.

HSBC Mutual Fund

Policy rates have peaked with RBI on pause mode. Given RBI's guidance on future inflation trajectory, real rates seem very attractive for Bond investors



- 2008-2009 : yields started moving lower in July 2008 ahead of the first rate cut in October 2008
- 2011-2013 : yields started moving lower from November 2011 ahead of the first rate cut in April 2012
- 2014-2017 : yields started moving lower from April 2014 ahead of the first rate cut in Jan 2015
- 2018-2020 : yields started moving lower from Sept 2018 ahead of the first rate cut in Feb 2019

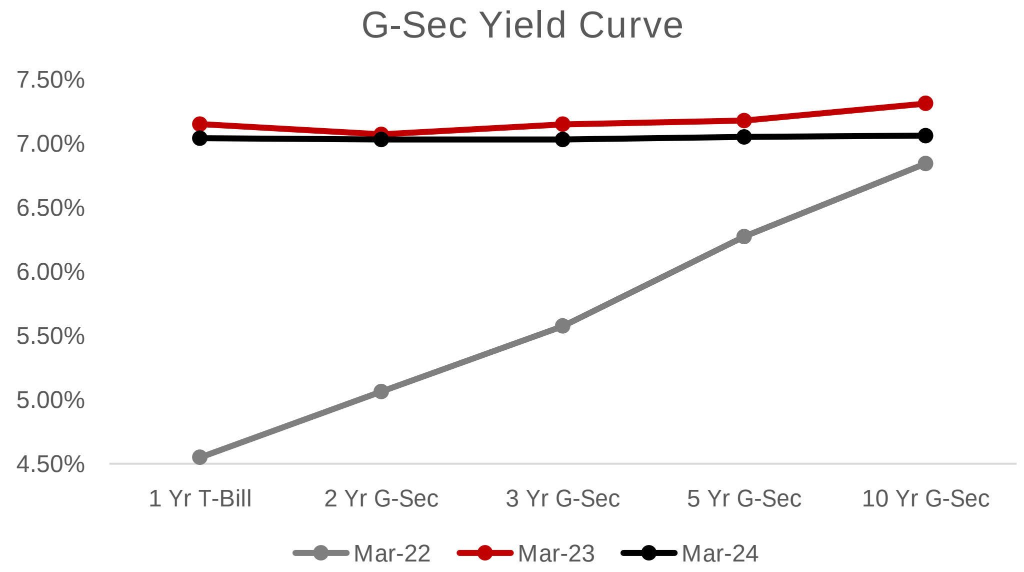
One of the few markets offering around 60 bps positive spread of 10 year bonds over policy rate

Source – Bloomberg, Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Flattening of yield curve – Big opportunity for Bond investors to benefit from Bull steepening of the curve once Central Banks start easing.

	Mar-22	Mar-23	Mar-24	Mar'24 vs Mar'22 (bps)
3 mth T-Bill	3.70%	6.85%	6.89%	319
1 Yr T-Bill	4.55%	7.15%	7.04%	249
2 Yr G-Sec	5.06%	7.07%	7.03%	197
3 Yr G-Sec	5.57%	7.15%	7.03%	146
5 Yr G-Sec	6.27%	7.18%	7.05%	78
10 Yr G-Sec	6.84%	7.31%	7.06%	22
3 mth CD	3.85%	7.20%	7.60%	375
1 Yr CD	4.72%	7.50%	7.60%	288
2 Yr AAA PSU	5.40%	7.67%	7.75%	235
3 Yr AAA PSU	5.83%	7.65%	7.65%	182
5 Yr AAA PSU	6.38%	7.70%	7.59%	121
10 Yr AAA PSU	7.05%	7.71%	7.56%	51

Credit Spreads (bps)	Mar-22	Mar-23	Mar-24
1 Yr	17	35	56
3 Yr AAA PSU	18	37	50
5 Yr AAA PSU	1	39	42
10 Yr AAA PSU	9	26	38

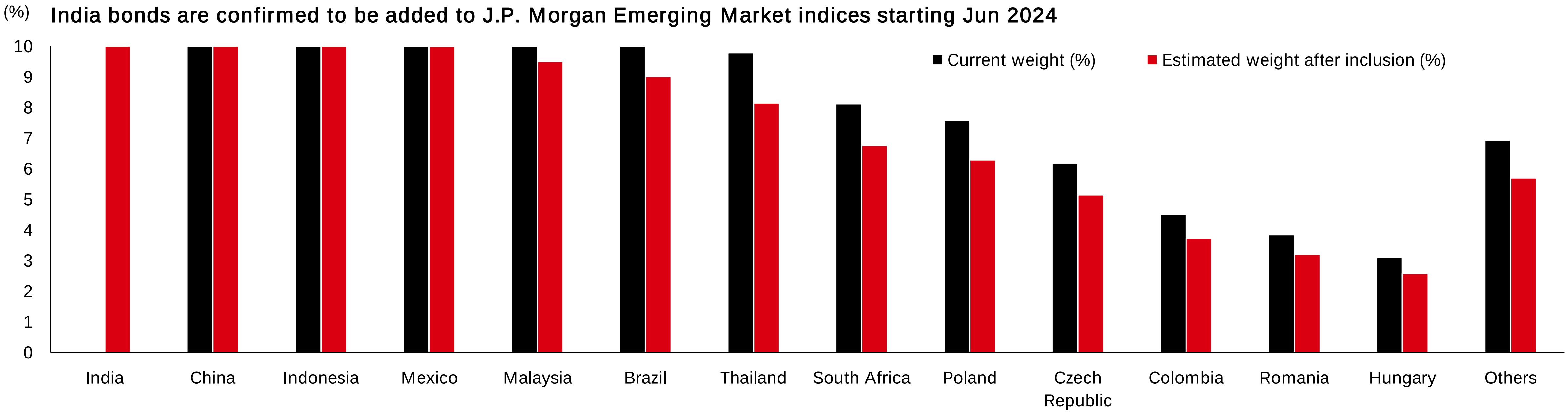


- Sovereign yield curve has flattened with 1 year T-Bill moving up by ~250 bps since Mar'2022 while 10-year G-Sec has moved up by only 22 bps
- Shorter end of the curve (3-month to 1 year) has moved up due to repo rate hikes, tighter liquidity and higher CD issuances
- Credit spreads across the curve have widened with 3 to 5 year spreads moving up to 40-50 bps

Current Shape of flat Yield Curve offers a big opportunity for investors to lock in at higher yields and benefit from Capital gains once RBI moves to an easing stance

Source: Bloomberg, Valuation Reports. Data updated as on Mar 31, 2024Note : 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

Indian Government Bonds inclusion in Global Bond Indices – provides margin of safety to Bond investors in case global markets volatility heightens with spill over effects



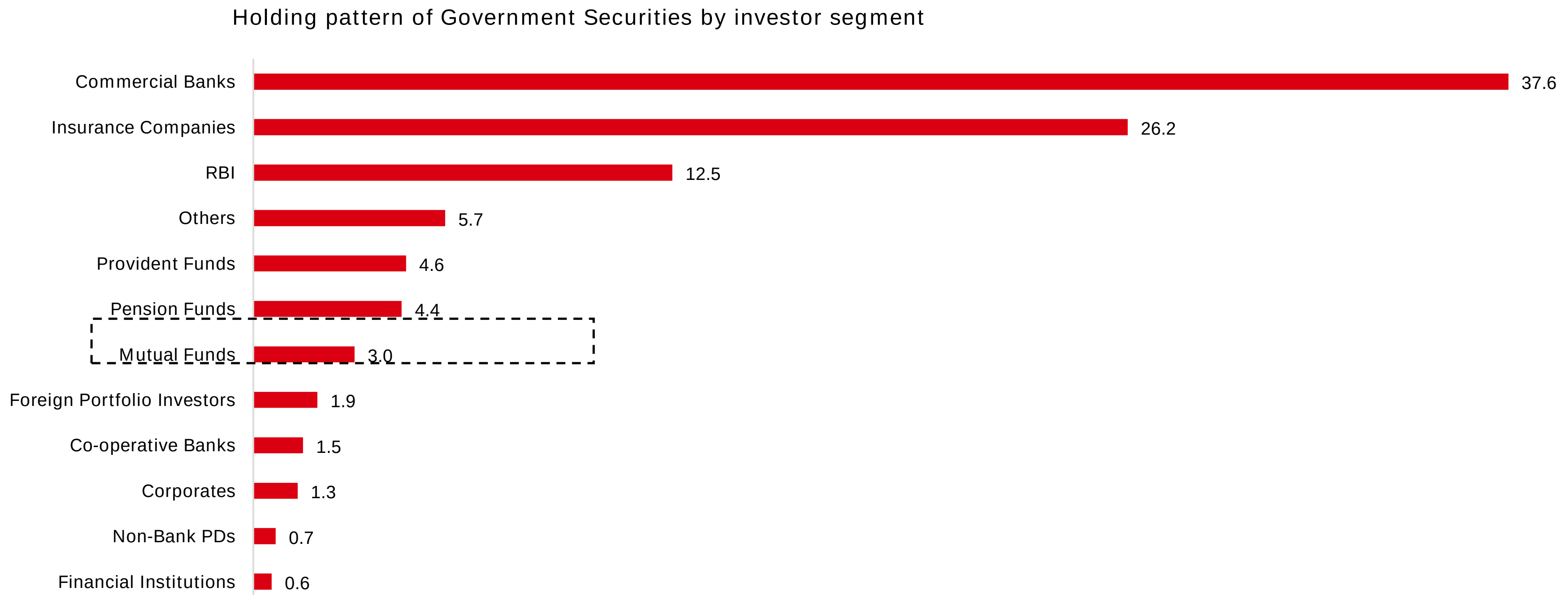
- The inclusion of Indian IGBs in the JPM-EMBI index and Bloomberg EM Local Currency Index will create demand of ~ USD 25-30 bn over FY 2025
- Inclusion in other global bond indices remain likely over the next few years, with possible inflows of another USD 20-25bn
- FPIs have bought around USD 10 bn worth of India bonds since index inclusion announcement

Index inclusion could result in USD 45-50 bn of index inflows into IGBs over the next few years, along with potential for strategic allocations

Source – Bloomberg, Data as on Mar 31, 24, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Low ownership by FPIs in IGBs

so far along with support from Insurance cos and PF's to drive Bond yields lower



- Varied investor segments, vis-à-vis, Commercial Banks, Insurance Companies, Provident and Pension Funds, Mutual Funds, FPIs, etc.
- As of Dec 31, 2023, FPIs own 1,9% of Indian Government Bonds (IGBs), which is low compared to other emerging market economies

FPIs still own a fairly small proportion of Indian Government Bonds

Source – RBI Bulletin, Data as on Dec 31, 2023, 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. 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). Past performance may or may not be sustained in the future and is not indicative of future results.

Value proposition

Strong economic growth and Rbi focus on accommodation withdrawal will delay rate cut cycle as inflation progressively aligns to the target

However the above will benefit Bond investors to generate higher returns vis a vis front ended rate cut cycle

Fixed Income Top-down Macro economic factors – Strong Bias to add Duration to portfolios

Impact on Bond markets

- Banking trends - Credit Deposit ratio
- Systemic Liquidity
- Oil / Commodity Markets

- Global interest rate environment
- Fiscal policy
- Monetary Policy
- CPI Inflation trends

- Global bond index inclusion
- Real rates
- Current Account Deficit & Balance of Payments
- G-Sec/SDL Demand Supply dynamics

- Global Central banks expected to ease policy rates during the year; Cumulative rate hikes in this cycle: Fed (525 bps), BOE (515 bps), ECB (450 bps), MPC (250 bps)
- MPC kept the Repo Rate unchanged at 6.50%, however, one of the MPC members voted for a rate cut of 25 bps
- The systemic liquidity since mid of September has moved to negative, negating any immediate need for RBI to do OMO sales. Going forward iquidity is expected to remain moderately negative till RBI moves to a neutral stance.
- Since, the J. P. Morgan index inclusion announcement, FPIs have bought ~ USD 10 bn of Indian Government Bonds (IGBs)

Our top-down assessment of various factors suggest a positive duration bias for portfolios

* MPC – Monetary Policy Committee. Source: Bloomberg, RBI, 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. Data updated as on Apr 05, 2024

Recap – Why add duration in portfolios? High Accrual plus expectations of capital gain as globally Central Banks move to easing monetary policy stance although in a calibrated manner

Global interest rates have likely peaked; any growth concerns can see yields fall

We expect CPI to track RBI expectations and gradually move to 4%-4.5% in FY 2025 & FY 26

Fiscal deficit is on consolidation track with FY 2024 @ 5.8% of GDP and FY 2025 likely at 5.1% of GDP

We expect an easing bias in Q3-Q4 FY 2025 with and liquidity easing and two rate cuts by March 2025

CAD is likely to be in around 1% for FY 2024/2025, can be financed through FDI and FPI inflows

The recent inclusion of IGBs in JPM-EMBI index and Bloomberg EM Local Currency will create demand for index flows as well as strategic allocations to IGBs

Hence we believe there is value in adding Duration to portfolios, with an investment horizon of 2 to 3 years.

Source – Bloomberg, RBI, , CAD (Current Account Deficit) Data as on Apr 05, 2024. 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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Duration Strategy outcomes vs Risk and mitigants

Strategy Outcomes

- Longer the yields take to fall will benefit the investors as they can get higher portfolio accrual for long and capital gain at a later stage (through a larger fall in rates) vis a vis an immediate large fall in rates
- Investors can reduce Reinvestment Risks by locking in at high rates through medium to long term funds

Risks of the Strategy

- Market Interest rates move up in 6 months to 1 year due to higher inflation emanating from oil shock or spillovers from climate shocks resulting in higher food inflation, Geopolitical hostilities, other supply side shocks etc
- In this case investors can witness lower returns as compared to portfolio yields based on mark to market of Bonds

Risk Mitigants

- Investors need to hold on to their investments, knowing that once higher interest rate cycle impact sets in the economy it leads to demand slow down and easing of inflation over time leading to lower Bond yields
- Hence even if interest rates move up in short term, one needs to take a view of where long Gsec / Bond yields will be in 2-3 year time frame, hence intra period volatility can be overlooked

Data as on Apr 05, 2024. 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. Past performance may or may not be sustained in the future and is not indicative of future results.

HSBC Dynamic Bond Fund

HSBC Mutual Fund

HSBC Dynamic Bond Fund

Fund snapshot and approach

Fund Category	Fund Manager	Benchmark [1, 2]	Inception Date	AUM [&]
Dynamic Bond	Jalpan Shah and Shriram Ramanathan	NIFTY Composite Debt Index A-III	27 Sep 2010	Rs. 165.35 Cr

- Actively managed fund investing across the yield curve in Govt. Securities and high-quality AAA rated credits to generate alpha
- Dynamic duration management to seize potential upsides when interest rates are expected to soften while also reducing risks in an uncertain environment
- Diversified portfolio spread across government securities, corporate bonds and money market instruments.
- Aims to Invest in a liquid portfolio to enable positioning changes based on evolving scenario.

Issuer (Top 10)	Rating	% to Net Assets
National Bank for Agriculture & Rural Development	CRISIL AAA	9.21%
HDFC Bank Limited	CRISIL AAA	8.12%
LIC Housing Finance Limited	CRISIL AAA	3.21%
Government Securities		**77.04%**
7.18% GOI 14AUG2033 GSEC	SOVEREIGN	49.25%
7.18% GOI 24-Jul-2037	SOVEREIGN	21.61%
7.26% GOI 06FEB33	SOVEREIGN	6.18%
Alternative Investment Funds (AIF)		**0.33%**
CDMDF CLASS A2	AIF	0.33%

Quantitative Data	
Average Maturity	9.25 years
Modified Duration	6.38 years
Macaulay Duration	6.65 years
Yield to Maturity	7.29%

•[1] As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, 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 April 01, 2022.

&For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website: https://www.assetmanagement.hsbc.co.in/en/mutual-funds/investorresources/information-library#&accordion1446811090=4

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 March 2024. 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. Past performance may or may not be sustained in the future and is not indicative of future results.

HSBC Dynamic Bond Fund Strategy

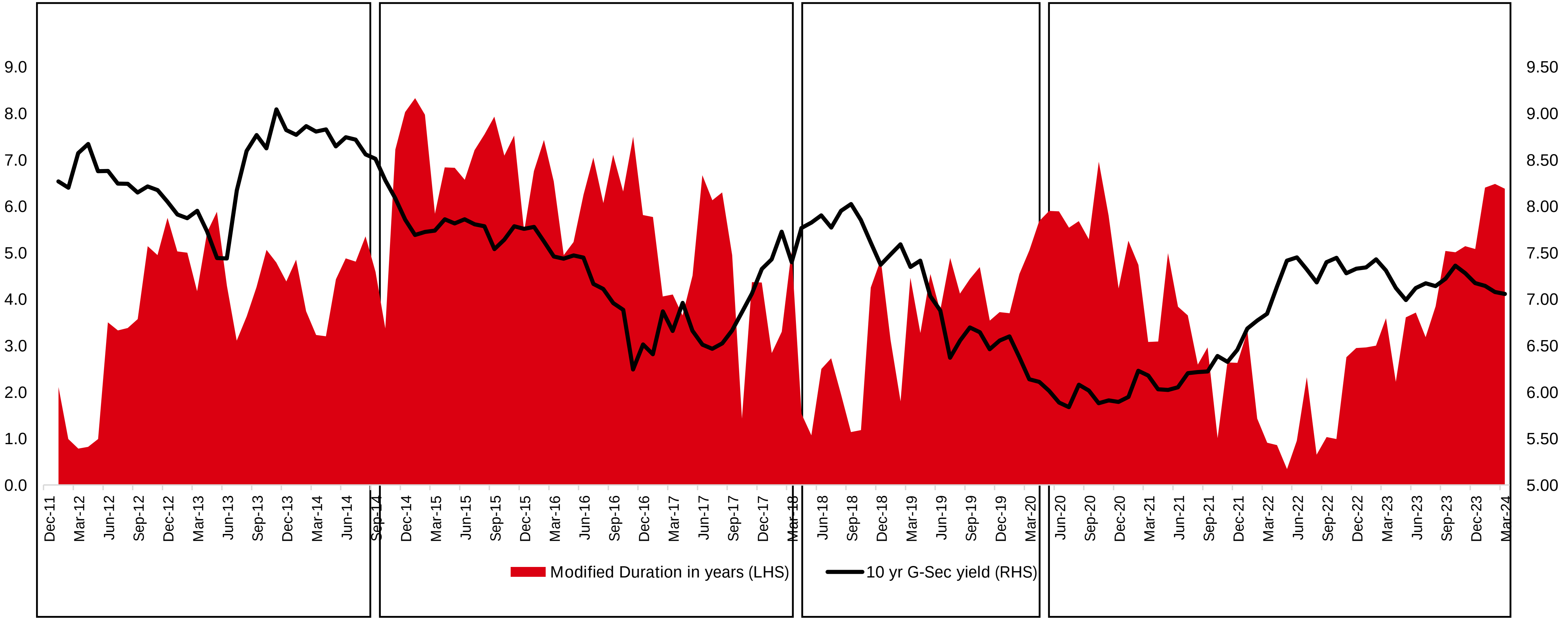
Fund Strategy

- Portfolio is concentrated in the 10 year part of the yield curve
- The fund is currently invested around 80% in G-Sec and Cash and around 20% in high quality AAA Corporate bonds

Asset Class	Segment	Allocation
G-Sec	9-10 year (2033 maturity)	55.4%
G-Sec	13 year (2037 maturity)	21.6%
Total G-Sec		77.0%
AAA Corps	4 year (2028 maturity)	12.4%
AAA Corps	9-10 year (2033 maturity)	8.1%
Total Corps		20.6%
Cash + Short assets		2.4%
Total		100.0%

Source – HSBC MF Factsheet, Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.
Note : Please refer to website (www.assetmanagement.hsbc.co.in) for more details on Month end portfolio of the scheme.

Active Duration Management – HSBC Dynamic Bond Fund



- Mar’12 to Sep’14 : The Fund was able to increase duration during the rate cutting cycle and gradually decreased duration as the rates peaked
- Sep’14 to Mar’18 : The Fund operated on higher duration during the one-way movement in rates till Sep’17 and then decreased duration
- Mar’18 to Mar’20: During the rate cutting cycle, the duration of the Fund was on higher side
- Mar’20 to Mar’23: During Covid rate cuts, the Fund had higher duration while post covid rate hikes, the duration was reduced

Source – HSBC MF Factsheet, Bloomberg, Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not a guarantee of any future returns.

HSBC Medium Duration Fund

HSBC Mutual Fund

HSBC Medium Duration Fund

Fund snapshot and approach

Fund Category	Fund Manager	Benchmark [1, 2]	Inception Date	AUM [&]
Medium Duration Fund	Shriram Ramanathan and Kapil Lal Punjabi	NIFTY Medium Duration Debt Index A-III	2 Feb 2015	Rs. 820.68 Cr

- Aims at delivering yield pick up through judicious exposure to high quality/relatively less liquid space, while keeping adequate liquidity
- Around 75%-80% of the portfolio in AAA or equivalent securities; Nil exposure to AA- and below rated names
- Almost 40-45% of portfolio exposure to Cash, G-Sec and AAA PSUs; ability to opportunistically evaluate deals with good yield pick up given the high proportion of G-Sec in the portfolio
- Strategic duration management in an Accrual product

Issuer (Top 10)	Rating	% to Net Assets
7.18% GOI 14AUG2033 GSEC	SOVEREIGN	19.85%
7.18% GOI 24-Jul-2037	SOVEREIGN	14.31%
7.26% GOI 06FEB33	SOVEREIGN	6.85%
National Bank for Agriculture & Rural Development	CRISIL AAA	6.14%
Rec Limited	CRISIL AAA	6.14%
ONGC Petro Additions Limited (Letter of comfort from Oil & Natural Gas Corporation Limited)	ICRA AAA (CE)	4.10%
Power Finance Corporation Limited	CRISIL AAA	3.42%
Hinduja Leyland Finance Limited	CRISIL AA	3.42%
Bharti Telecom Limited	CRISIL AA+	3.12%
7.26% GOI 22AUG2032	SOVEREIGN	3.10%
Assets as on 31-March-2024		

Quantitative Data	
Average Maturity	5.40 years
Modified Duration	3.79 years
Macaulay Duration	3.96 years
Yield to Maturity	7.86%

[1] As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, 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 April 01, 2024.
[&] 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
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 March 2024. 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Combination of Duration and Accrual strategy in one product (1/2)

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

- 75%-80% of portfolio exposure to AAA rated names
- Nil exposure to AA- and below rated names
- Around 60%-65% of portfolio exposure to Cash, G-Sec and AAA PSUs
- Latest rating actions are stable/upward on the entire portfolio; Nil downgrades

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

- The Fund strives to create alpha by identifying pockets of value propositions, vis-à-vis yield curve steepness, higher carry opportunities, elevated credit spreads, etc.
- Rigorous credit selection process to spot mispriced credit opportunities
- Adequate "fire power" available given the high proportion of G-Sec in the portfolio, to opportunistically evaluate deals with yield pick up
- Demonstrated ability to strategically manage Duration in periods of volatile interest rates

Source – HSBC MF Factsheet, Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Combination of Duration and Accrual strategy in one product (2/2)

A strategy that can:

- Strategically manage Duration in periods of market volatility (Reduced Duration to moderate risk during the interest rate hike cycle)
- 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

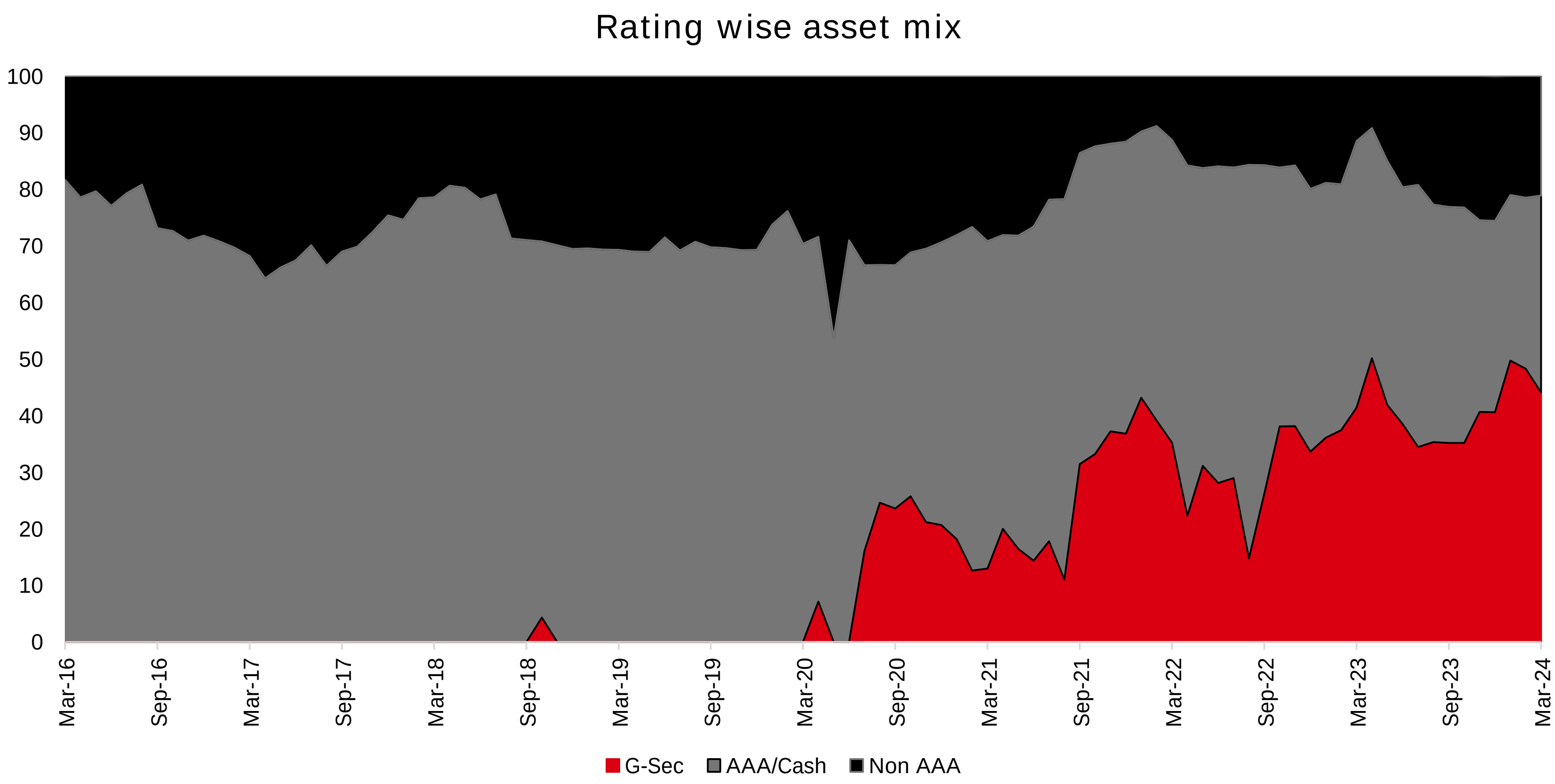
HSBC Medium Duration Fund

Superior asset quality and adequate liquidity	Favorable portfolio yield	Ability to efficiently manage Duration	Ideal product for medium term investment horizon
70% exposure in Liquid AAAs/G-Sec/Cash which can be liquidated easily	Healthy spread over plain vanilla AAA fund; Niche positioning with fire power to replace G-Sec when spreads widen	Demonstrated ability to strategically manage Duration in periods of volatile interest rates	A combination of Duration and Accrual strategy in one product

Currently, Portfolio of the Scheme is designed as per its investment strategy. However, the actual portfolio positioning is subject to change

Source – HSBC MF Factsheet, Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Asset quality consistently maintained over time



Maintained rating wise asset break up over time

Source – HSBC MF Monthly Portfolio, Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

HSBC Mutual Fund

Portfolio Snapshot

About 70% of the portfolio in G-Sec/Cash/Liquid AAA papers, with the ability to switch to carry assets in the AAA and non-AAA segment depending on favorable yield/spreads and credit comfort

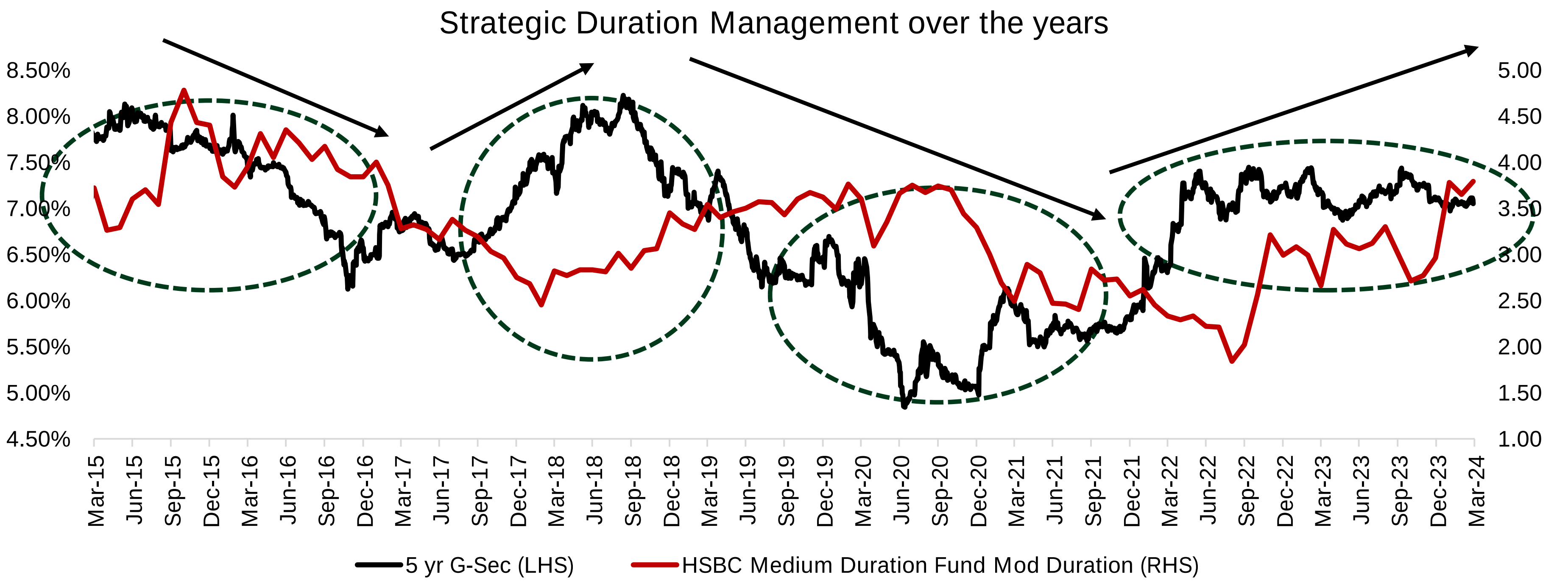
Segment	% Holding	Average Yield
G-Sec/Cash	45.70%	7.13%
Liquid AAA	25.20%	7.81%
High Yielding AAA	8.00%	8.44%
Non AAA	21.10%	9.48%

Ability to switch between assets to optimize yield and rating mix

Source – HSBC MF Monthly Portfolio, Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Active Duration Management and Accrual Strategy

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

Source – HSBC MF Monthly Portfolio, Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

HSBC Mutual Fund

HSBC Corporate Bond Fund

HSBC Corporate Bond Fund

Fund snapshot and approach

Fund Category	Fund Manager	Benchmark [1, 2]	Inception Date	AUM
Corporate Bond	Jalpan Shah and Shriram Ramanathan	NIFTY Corporate Bond Index A-II	31 Mar 1997	Rs. 6100.72 Cr

- HSBC Corporate Bond Fund aims to generate significant proportion of the total returns in the form of income yield from accrual of high-quality credit
- The scheme follows a passive roll-down strategy targeting a maturity of July - Sept 2028, with 100% of the portfolio invested in AAA Corporate bonds and Government Securities
- The strategy offers the flexibility of an open-ended structure
- The fund endeavors to remain invested in bonds of AAA rated companies

Issuer (Top 10)	Rating	% to Net Assets
National Highways Authority of India	CRISIL AAA	9.92%
National Bank for Agriculture & Rural Development	ICRA AAA / CRISIL AAA	9.32%
NTPC Limited	CRISIL AAA	8.58%
Indian Railway Finance Corporation Limited	CRISIL AAA	8.28%
7.38% GOI 20JUN2027	SOVEREIGN	8.02%
HDFC Bank Limited	CRISIL AAA	7.60%
Power Grid Corporation of India Limited	CRISIL AAA	7.46%
Housing and Urban Development Corporation Limited	CARE AAA / ICRA AAA	5.25%
Rec Limited	CRISIL AAA	5.24%
Indian Oil Corporation Limited	CRISIL AAA	5.18%

Quantitative Data	
Average Maturity	4.69 years
Modified Duration	3.73 years
Macaulay Duration	3.95 years
Yield to Maturity	7.46%

[1] As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, 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 April 01, 2024.

[&] 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

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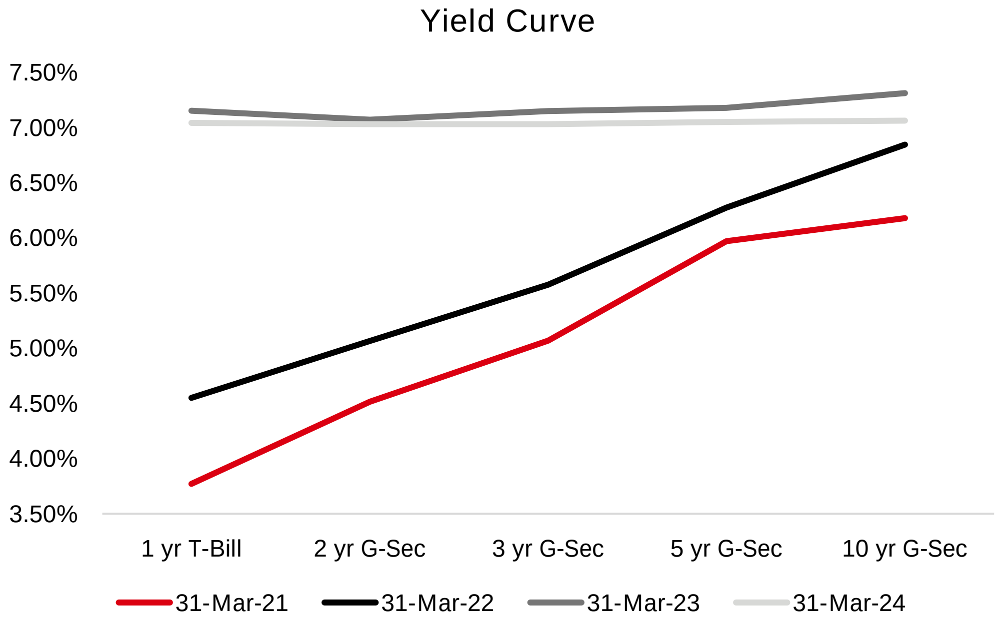
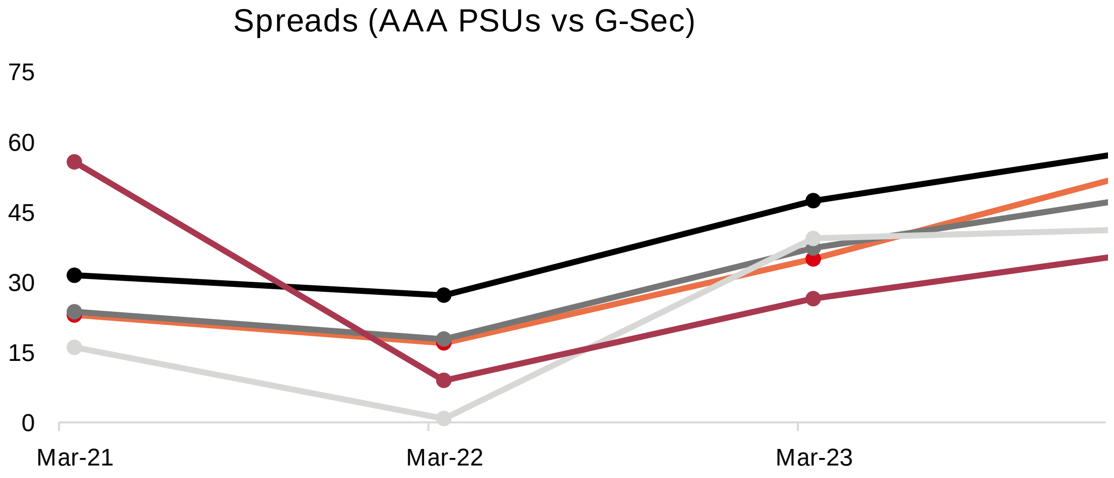
Source – HSBC Mutual Fund, Data as of 31 March 2024. Note : Views provided above are based on information available in public domain at this moment and subject to change. Investors should not consider the same as investment advice. Please consult your financial advisor for any investment decision. Past performance may or may not be sustained in the future and is not indicative of future results.

HSBC Mutual Fund

HSBC Corporate Bond Fund positioned to benefit from favorable spreads





	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24
1 yr CD	23	17	35	56
2 yr AAA PSU	32	27	47	60
3 yr AAA PSU	24	18	37	50
5 yr AAA PSU	16	1	39	42
10 yr AAA PSU	56	9	26	38

1 yr CD 2 yr AAA PSU 3 yr AAA PSU 5 yr AAA PSU 10 yr AAA PSU

- The Yield Curve has flattened over the last 1-2 years as RBI has withdrawn excess liquidity from the system along with increasing policy rates
- Spread of AAA PSUs vs G-Sec have widened across the curve, from their lows in 2022
- 5 year AAA PSUs which were trading at almost negligible spread with 5 year G-Sec in Mar 2022 are now trading at a spread of ~ 42 bps
- HSBC Corporate Bond Fund is appropriately positioned in the 4-5 year maturity bucket to benefit from favorable spreads

Source: NDS, Portfolio Valuation. HSBC MF estimates, Data as on Mar 31, 2024, Note : Please refer to Scheme Information Document for more details on Asset Allocation of the scheme. 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

Roll-down Funds can provide avenue for investors to generate high returns based on tactical calls

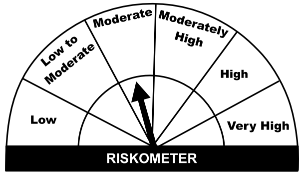
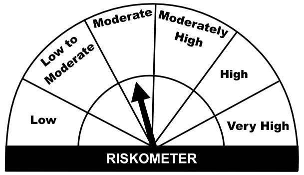
Current	AAA PSU Bond
Bond Maturity	30-Sep-28
AAA PSU Bond Yield	7.60%
Liquidity easing and rate cuts of 50 bps during the year	
31-Mar-2025	AAA PSU Bond
Expected Repo Rate	6.00%
Expected AAA PSU Bond Yield	7.10%
Expected Fall in AAA PSU Bond yield (bps)	50.00
Expected Capital gains	1.50%
Expected Returns	9.10%

Favorable returns can be made through tactical calls in roll-down products

Representative AAA PSU bond has been considered for the illustrative calculation. Data as on Mar 31, 2024, 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. Past performance may or may not be sustained in the future and is not indicative of future results.

Product Label and Fund Performance

Product Label : HSBC Dynamic Bond Fund

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC Dynamic Bond Fund An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively low credit risk. **This product is suitable for investors who are seeking*:** • Generation of reasonable returns over medium to long term • Investment in fixed income securities	 Investors understand that their principal will be at Moderate risk	Benchmark : NIFTY Composite Debt Index A-III 

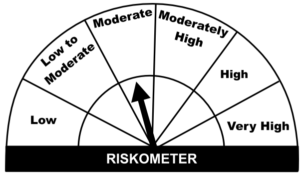
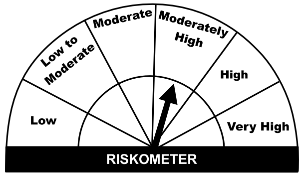
* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.
Note on Risk-o-meters: Riskometer is as on 31 March 2024, Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme

Potential Risk Class (HSBC Dynamic Bond Fund)			
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.

HSBC Mutual Fund

Product Label : HSBC Medium Duration Fund

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC 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 (please refer to page no.18 in the SID for details on Macaulay's Duration). A relatively high interest rate risk and moderate credit risk. **This product is suitable for investors who are seeking*:** • Generation of income over medium term • Investment primarily in debt and money market securities	 Investors understand that their principal will be at Moderate risk	Benchmark : NIFTY Medium Duration Debt Index A-III 

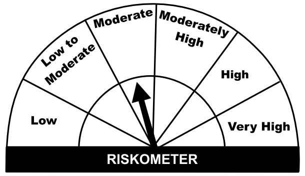
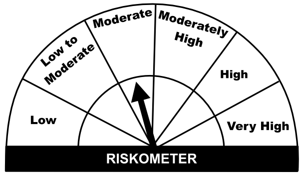
* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note on Risk-o-meters: Riskometer is as on 31 March 2024, 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 (HSBC Medium 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)			
Relatively High (Class III)		B-III	
A Scheme with Relatively High interest rate risk and Moderate 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.

Product Label : HSBC Corporate Bond Fund

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC Corporate Bond Fund An open-ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and relatively low credit risk. **This product is suitable for investors who are seeking*:** • Generation of regular and stable income over medium to long term • Investment predominantly in AA+ and above rated corporate bonds and money market instruments.	 Investors understand that their principal will be at Moderate risk	Benchmark Index: NIFTY Corporate Bond Index A-II 

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Note on Risk-o-meters: Riskometer is as on 31 March 2024, 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 (HSBC Corporate Bond Fund)			
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.

Performance : HSBC Medium Duration Fund

Fund Manager - Shriram Ramanathan Effective 02 Feb 2015. Total Schemes Managed - 10
Fund Manager - Kapil Lal Punjabi Effective 26 Nov 2022. Total Schemes Managed - 10

Lump Sum Investment Performance									Inception Date
Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		3 Years		5 Years		Since Inception		
	Amount in `	Returns %	Amount in `	Returns %	Amount in `	Returns %	Amount in `	Returns %	
HSBC Medium Duration Fund - Regular Plan~~	10763	7.61	11663	5.26	13545	6.24	18420	6.89	02-Feb-15
Scheme Benchmark (NIFTY Medium Duration Debt Index A-III)	10757	7.55	11583	5.02	14127	7.14	NA	NA	
Additional Benchmark (CRISIL 10 year Gilt Index)	10854	8.52	11347	4.30	13482	6.14	17441	6.26	

Past performance may or may not be sustained in the future and is not indicative of future results. The performance details provided herein are of Regular Plan - Growth Option. Returns on ₹10,000 are point-to-point returns for the specific time period, invested at the start of the period. The returns for the respective periods are provided as on last available NAV of March 2024 for the respective schemes. Returns for 1 year and above are Compounded Annualized. Returns for less than 1 year is Simple Annualized. Load is not taken into consideration for computation of performance. Different plans shall have a different expense structure. The expenses of the Direct Plan under the Scheme will be lower to the extent of the distribution expenses / commission charged to the Regular Plan.
As per clause 5.9.1 of the SEBI Master Circular dated May 19, 2023, the scheme returns vis-à-vis the benchmark return (Total Return Index) shall be disclosed are provided from the date of allotment of units.
Post merger performance of the surviving scheme, arising out of merger of schemes with similar features, is computed as per the provisions of clause 13.4 of the SEBI Master Circular dated May 19, 2023, on Disclosure of Performance of Schemes post-merger using the weighted average performance of both transferor and transferee schemes. In other cases, performance is computed using the Applicable NAV of the surviving/continuing schemes. ~~ Face value Rs 10
Returns for Debt schemes has been calculated as on last business day NAV provided as on 31 March 2024.

Source: HSBC Mutual Fund, data as on 31 March 2024

Click here to check other funds performance managed by the Fund Manager

Note : Please refer to Scheme Information Document for more details on Asset Allocation of the scheme.

Performance : HSBC Dynamic Bond Fund

Fund Manager - Jalpan Shah Effective 30 May 2016. Total Schemes Managed - 6
Fund Manager - Shriram Ramanathan Effective 02 Feb 2015. Total Schemes Managed - 10

Lump Sum Investment Performance									Inception Date
Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		3 Years		5 Years		Since Inception		
	Amount in `	Returns %	Amount in `	Returns %	Amount in `	Returns %	Amount in `	Returns %	
HSBC Dynamic Bond Fund - Regular Plan~~	10751	7.49	11546	4.90	13498	6.17	26906	7.60	27-Sep-10
Scheme Benchmark (NIFTY Composite Debt Index A-III)	10812	8.10	11693	5.35	14168	7.20	27033	7.63	
Additional Benchmark (CRISIL 10 year Gilt Index)	10854	8.52	11347	4.30	13482	6.14	23126	6.40	

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Post merger performance of the surviving scheme, arising out of merger of schemes with similar features, is computed as per the provisions of clause 13.4 of the SEBI Master Circular dated May 19, 2023, on Disclosure of Performance of Schemes post-merger using the weighted average performance of both transferor and transferee schemes. In other cases, performance is computed using the Applicable NAV of the surviving/continuing schemes. ~~ Face value Rs 10
Returns for Debt schemes has been calculated as on last business day NAV provided as on 31 March 2024.

Source: HSBC Mutual Fund, data as on 31 March 2024

Click here to check other funds performance managed by the Fund Manager

Performance : HSBC Corporate Bond Fund

Fund Manager - Jalpan Shah Effective 03 Apr 2017. Total Schemes Managed - 6
Fund Manager - Shriram Ramanathan Effective 30 Jun 2014. Total Schemes Managed - 10

Lump Sum Investment Performance									Inception Date
Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		3 Years		5 Years		Since Inception		
	Amount in `	Returns %	Amount in `	Returns %	Amount in `	Returns %	Amount in `	Returns %	
HSBC Corporate Bond Fund - Regular Plan4~~	10723	7.21	11618	5.12	14218	7.28	65992	7.23	31-Mar-97
Scheme Benchmark (NIFTY Corporate Bond Index A-II)	10741	7.39	11643	5.20	13810	6.65	NA	NA	
Additional Benchmark (CRISIL 10 year Gilt Index)	10854	8.52	11347	4.30	13482	6.14	NA	NA	

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Returns for Debt schemes has been calculated as on last business day NAV provided as on 31 March 2024.

Source: HSBC Mutual Fund, data as on 31 March 2024

Click here to check other funds performance managed by the Fund Manager

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