



HSBC Large Cap Equity Fund

Large Cap Fund – An open ended equity Scheme predominantly investing in large cap stocks

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp or watermark.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Large Cap Equity Fund (HLEF)

(Large Cap Fund – An open ended equity scheme predominantly investing in large cap stocks)

HLEF seeks to generate long-term capital growth from an actively managed portfolio of equity and equity related securities of predominantly large cap companies. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HLEF amounted to Rs. 504.87 crores as at March 31, 2020 as against Rs. 687.63 crores as at March 31, 2019. Around 93.47% of the net assets were invested in equities, 4.92% of the net assets were invested in reverse repos/TREPS and 1.61% in net current assets as at March 31, 2020.

HLEF is a large cap fund and it remained invested in a diversified portfolio across large capitalization stocks. The scheme has outperformed its benchmark over 1 year, 5 years and since inception periods however underperformed over a 3-year period. Over the past year, the fund has seen improvement in the performance as reflected in the outperformance over the benchmark. At an index level, the performance continued to be narrow and concentrated in a few stocks for most part of the year (i.e. till COVID-19 impact in February/March). However, fund's stock selection in particular aided the outperformance. Stock selection within Materials, Financials, Energy, Consumer Discretionary and Communication Services were the key contributors to the 1-year outperformance.

Looking ahead, the AMC believes that the COVID-19 disruption is likely to create new investment themes and also accelerate the profit pool migration process visible across sectors. The Fund Manager is positive on the theme of profit pool migration and consolidation visible across and within sectors. So as a result, the AMC would be focusing on market leaders or dominant companies in sectors across the market capitalization spectrum. The COVID-19 disruption would not be uniform across sectors with certain sectors/companies turning out to be beneficiaries of the disruption while others getting adversely impacted. The AMC would be cognizant of this evolving trend and allocate money to sectors/companies who are likely to emerge positively from the disruption. The fund's equity allocation will be oriented towards capturing the profit pool consolidation theme from a medium to long term perspective. However, in the short term, the pandemic has created a lot of uncertainty especially regarding the FY21 economic impact and on corporate performance. As a result, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of COVID-19 and the resultant lockdown in the economy is not uniform across sectors. The overweight stance on Consumer Staples, Healthcare and Telecommunication sectors capture this view. In the short term, the AMC believes that private sector capex as well as government capex will get delayed and it holds a negative view on the sectors that are dependent on capex. The AMC also has a negative view on labour intensive sectors such as construction, travel, hospitality etc.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
		1 Year	3 Years	5 Years
Date of Inception : 10 December 2002				
HSBC Large Cap Equity Fund - Growth	-21.13	-2.27	1.83	17.58
Nifty 50 TRI (Scheme Benchmark)	-24.85	-0.81	1.56	14.40
S&P BSE Sensex TRI (Standard Benchmark)	-22.69	1.07	2.41	15.21
Rs. 10,000, if invested in HLEF, would have become	7,872	9,334	10,950	1,65,204
Rs. 10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	1,02,757
Rs. 10,000, if invested in S&P BSE 200 TRI, would have become	7,715	10,325	11,266	1,16,111

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. As TRI data is not available Since Inception of the scheme, benchmark performance is calculated using composite CAGR of S&P BSE Sensex PRI values from date 10-Dec- 2002 to date 31-May-2007 and TRI values since date 31-May-2007.

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FILs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FILs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this

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For the year ended March 31, 2020 (Contd...)

disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBI's accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in

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For the year ended March 31, 2020 (Contd...)

March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual

Trustees' Report

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Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Large Cap Equity Fund	12,846,035.77	1444	11,073,711.15	257

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

10. STATUTORY DETAILS

- a) The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- b) The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- c) Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Large Cap Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Large Cap Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	7,424.46
2	Reserves & Surplus	7,912.21
2.1	Unit Premium Reserves	(13,435.08)
2.2	Unrealised Appreciation Reserve	(11,980.59)
2.3	Other Reserves	-
3	Loans & Borrowings	13,893.60
4	Current Liabilities & Provisions	58,937.07
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	-
	TOTAL	904.41
		511.42
	TOTAL	51,443.93
		69,273.71
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	47,196.48
1.1.2	Preference Shares	67,933.28
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	-
1.1.5	Securitized Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitized Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitized Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	47,196.48
2	Deposits	67,933.28
3	Other Current Assets	2.50
3.1	Cash & Bank Balance	78.80
3.2	TREPS/Reverse Repo Lending	41.50
3.3	Others	2,485.05
4	Deferred Revenue Expenditure (to the extent not written off)	1,681.10
	TOTAL	51,443.93
		69,273.71

Notes to Accounts - Annexure I

Abridged Revenue Account for the Year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	673.04	961.16
1.2 Interest	103.14	73.20
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	4,036.45	3,399.15
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	6.97	7.71
(A)	4,819.60	4,441.22
2 EXPENSES		
2.1 Management Fees	830.06	899.87
2.2 GST on Management Fees	149.41	161.98
2.3 Transfer Agents Fees and Expenses	81.16	90.43
2.4 Custodian Fees	7.94	8.59
2.5 Trusteeship Fees	1.91	2.12
2.6 Commission to Agents	381.39	326.99
2.7 Marketing & Distribution Expenses	0.65	0.92
2.8 Audit Fees	3.94	3.15
2.9 Investor Education Expenses	13.19	13.66
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	17.30	24.83
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	(0.06)
(B)	1,486.95	1,532.48
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	3,332.65
4 Change in Unrealised Depreciation in Value of Investments	(D)	(2,266.63)
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	1,066.02
6 Change in Unrealised Appreciation in Value of Investments	(F)	(13,893.60)
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	(12,827.58)
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	13,893.60	-
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	(2,672.93)
7.3 Add/(Less) : Equalisation	(2,279.41)	1,055.31
7.4 Transfer from Reserve Fund	58,937.07	55,973.77
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	57,723.68	59,937.82
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(1,039.06)	(886.07)
9.2 Tax on Income Distributed during the Year	(134.48)	(114.68)
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	56,550.14	58,937.07

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	209.7952	193.2264
Regular Plan Dividend Option	28.7446	28.4644
Direct Plan - Growth Option	219.6543	200.8599
Direct Plan - Dividend Option	30.3524	29.9810
High		
Regular Plan Growth Option	230.9875	218.8718
Regular Plan Dividend Option	31.3391	32.2422
Direct Plan - Growth Option	243.6349	228.1734
Direct Plan - Dividend Option	33.3121	34.0579
Low		
Regular Plan Growth Option	147.4700	182.5911
Regular Plan Dividend Option	18.7441	26.1013
Direct Plan - Growth Option	155.8125	190.5752
Direct Plan - Dividend Option	19.9047	27.5388
End		
Regular Plan Growth Option	165.1620	209.7952
Regular Plan Dividend Option	20.9928	28.7446
Direct Plan - Growth Option	174.5429	219.6543
Direct Plan - Dividend Option	22.2974	30.3524
2. Closing Assets Under Management (Rs. in Lakhs)		
End	50,487	68,763
Average (AAuM) ¹	65,926	68,317
3. Gross income as % of AAuM ²		
	7.31%	6.50%
4. Expense Ratio:		
a. Total Expense as % of AAuM (Including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.47%	2.49%
Direct Plan	1.54%	1.78%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.30%	1.32%
Direct Plan	1.14%	1.32%
5. Net Income as a percentage of AAuM ³		
	5.06%	4.26%
6. Portfolio turnover ratio ⁴		
	1.03	0.69
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan Dividend Option	1.99	1.77

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Dividend Option	2.21	1.99
Corporate		
Regular Plan Dividend Option	1.99	1.77
Direct Plan - Dividend Option	2.21	1.99
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	(21.1300)	8.5396
Direct Plan - Growth Option	(20.3900)	9.3220
Benchmark		
Nifty 50 TRI	(24.8500)	16.4000
b. Since Inception		
Scheme		
Regular Plan Growth Option	17.5800	20.5167
Direct Plan - Growth Option	6.9600	12.1825
Benchmark		
Nifty 50 TRI	14.4 +	17.4100

+ For HSBC Large Cap Equity Fund: As TRI data is not available since Since Inception of the scheme, benchmark performance is calculated using composite CAGR of S&P BSE Sensex PRI values from date 10-Dec-2002 to date 31-May-2007 and TRI values since date 31-May-2007.

1. AAuM = Average daily net assets
2. Gross income = amount against (A) in the Revenue Account i.e. Income
3. Net income = amount against (C) in the Revenue Account i.e. Net Realised Gains/(Losses) for the year
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	155,453,400	194,922,114
Bharti Airtel Ltd.	Equities	250,225,236	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.5. Investments in below investment grade and default/Securities in default beyond its maturity date as on March 31st 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Years March 31, 2020 and March 31, 2019 and percentage to net assets are as under :

Company Name	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Equity Shares				
– Appreciation	416,065,389	8.24	1,478,479,442	21.50
– Depreciation	642,728,324	12.73	89,119,080	1.30

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 6,769,255,995 and Rs. 7,630,611,614 respectively being 102.68% and 115.75% of the average daily net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 4,746,948,500 and Rs. 5,320,020,407 respectively being 69.48% and 77.87% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio of the scheme as of the Years ended March 31, 2020 and March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

During the year 2019-20, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

During the year 2018-19, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	51.49	42.39	10,282,508	33.42

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2018-2019	55.18	32.12	9,515,084	34.30

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. In Crores]	% of total value of transactions of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020	36.80	0.33	329,711	2.29

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. In Crores]	% of total value of transactions of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2018-2019	1,006.70	2.31	10,964,486	2.54

The brokerage paid was at rates similar to those offered to other brokers/distributors. And the Commission/ Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
- (ii) Devolvement - Nil. (Previous year also Nil)
- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	16,531,063.788	4,145,816.163	2,477,302.627	18,199,577.324	10
Regular Plan Dividend Option	53,431,839.183	5,791,315.195	9,586,234.426	49,636,919.952	10
Direct Plan - Growth Option	8,421,517.508	527,762.135	3,279,758.155	5,669,521.488	10
Direct Plan - Dividend Option	737,703.580	125,105.979	124,222.337	738,587.222	10

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan - Growth Option	12,622,219.318	5,985,575.734	2,076,731.264	16,531,063.788	10
Regular Plan - Dividend Option	5,0704,100.083	9,409,850.707	6,682,111.607	5,3431,839.183	10
Direct Plan - Growth Option	12,838,269.419	686,944.814	5,103,696.725	8,421,517.508	10
Direct Plan - Dividend Option	716,079.110	152,300.937	130,676.467	737,703.580	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 33,261.112 & as on March 31, 2019 is 33,261.112.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

- 5 Previous year figures have been re-grouped/re-arranged where necessary.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.”

- 6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

- 7 Expenses other than Management Fees are Inclusive of GST where applicable.

- 8 Other income of Rs. 697,005/- represents Exit load (net of GST) credited to the scheme. (2019: Rs. 770,250/- represents Exit load (net of GST) credited to the scheme).

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Small Cap Equity Fund

Small Cap Fund - An open ended equity Scheme predominantly investing in small cap stocks

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp or watermark.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Small Cap Equity Fund (HSEF),

(Small Cap Fund - An open ended equity scheme predominantly investing in small cap stocks)

HSEF seeks to generate long term capital growth from an actively managed portfolio of equity and equity related securities of predominantly small cap companies. However, it could move a portion of its assets towards fixed income securities if the fund manager becomes negative on the Indian equity markets. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HSEF amounted to Rs. 246.50 crores as at March 31, 2020 as compared to Rs. 789.09 crores as at March 31, 2019. Around 94.39 % of the net assets were invested in equities, 6.46% of the net assets were invested in reverse repos/TREPS and (-0.85%) in net current assets as at March 31, 2020.

HSEF is a small cap fund and we remained invested in a diversified portfolio across small capitalization stocks. HSEF has outperformed its benchmark over 1 year and 3 years and 5-year period. HSEF has outperformed its benchmark primarily due to better stock selection especially in consumer discretionary, financial and healthcare sectors. For the second consecutive year, small caps indices underperformed the large cap indices significantly. Even before COVID led market fall, market was polarized with small caps underperforming large caps. The sharp fall in market in the month of March increased the gap in performance in the two categories even further. While COVID led disruption can impact smaller players disproportionately, the AMC believes that the fall in stock prices adequately prices in these risks and going forward mean reversion should happen and small caps would cover up some lost ground vis-à-vis the large cap names. AMC will continue to focus on reasonable growth oriented companies available at attractive valuations. HSEF is currently overweight in Consumer Discretionary, Specialty Chemicals and building material space while being underweight in FMCG, and Technology.

Scheme Name & Benchmarks	Absolute Returns (%)		Compounded Annualized Returns (%)		
	1 Year	3 Years	5 Years	Since Inception	
Date of Inception : 19 May 2005					
HSBC Small Cap Equity Fund - Growth	-37.65	-14.05	-3.52	7.97	
S&P BSE 250 Small Cap Index TRI (Scheme Benchmark)	-40.50	-15.50	-4.73	NA	
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56	11.74	
Rs. 10,000, if invested in HSEF, would have become	6,211	6,347	8,358	31,293	
Rs. 10,000, if invested in S&P BSE 250 Small Cap Index TRI, would have become	5,925	6,031	7,846	NA	
Rs. 10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	52,142	

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Please Note: NA means not available.

The launch date of the S&P BSE 250 Small Cap Index (INR) is November 30, 2017 whereas the inception date of the scheme is May 19, 2005. All information presented prior to the index launch date is back-tested which is available from Mar 31, 2009. The corresponding benchmark returns since inception of the scheme is not available. All index data is available on the website of Asia Index Pvt. Ltd. a joint venture between BSE Ltd. and S&P Dow Jones Indices LLC. (source: <http://www.asiaindex.co.in>).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply

Trustees' Report

For the year ended March 31, 2020 (Contd...)

shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see

Trustees' Report

For the year ended March 31, 2020 (Contd...)

telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Small Cap Equity Fund	3,996,023.90	747	2,210,154.41	73

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During

Trustees' Report

For the year ended March 31, 2020 (Contd...)

the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Com-plaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Com-plaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

Trustees' Report

For the year ended March 31, 2020 (Contd...)

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddha Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders

Trustees' Report

For the year ended March 31, 2020 (Contd...)

can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Small Cap Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Small Cap Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net deficit and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**
 Chartered Accountants
 ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath
 Partner
 Membership No: 067114

Place : Mumbai
 Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	18,086.98
2	Reserves & Surplus	
2.1	Unit Premium Reserves	10,646.17
2.2	Unrealised Appreciation Reserve	1,038.99
2.3	Other Reserves	49,136.10
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	692.30
	TOTAL	79,600.54
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	77,315.36
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	-
1.1.5	Securitized Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	6.66
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitized Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitized Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	77,315.36
2	Deposits	20.62
3	Other Current Assets	
3.1	Cash & Bank Balance	6.45
3.2	TREPS/Reverse Repo Lending	1,939.81
3.3	Others	318.30
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	79,600.54

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	833.19	532.31
1.2 Interest	146.76	217.17
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	(9,658.14)	5,679.20
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	54.74	7.52
(A)	(8,623.45)	6,436.20
2 EXPENSES		
2.1 Management Fees	472.19	662.09
2.2 GST on Management Fees	84.99	119.18
2.3 Transfer Agents Fees and Expenses	69.13	86.33
2.4 Custodian Fees	6.86	8.00
2.5 Trusteeship Fees	1.91	1.97
2.6 Commission to Agents	597.62	623.65
2.7 Marketing & Distribution Expenses	0.65	-
2.8 Audit Fees	1.86	3.21
2.9 Investor Education Expenses	11.50	13.14
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	13.63	18.26
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	(0.06)
(B)	1,260.34	1,535.77
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	4,900.43
4 Change in Unrealised Depreciation in Value of Investments	(D)	-
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	4,900.43
6 Change in Unrealised Appreciation in Value of Investments	(F)	(10,934.75)
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	(6,034.32)
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	1,038.99	10,934.75
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3 Add/(Less) : Equalisation	(19,464.08)	15,248.32
7.4 Transfer from Reserve Fund	49,136.10	29,885.16
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	10,976.19	50,033.91
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(503.42)	(794.93)
9.2 Tax on Income Distributed during the Year	(65.15)	(102.88)
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	10,407.62	49,136.10

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	50.3996	57.8655
Dividend Option	19.9669	24.8848
Direct Plan - Growth Option	52.8019	60.1887
Direct Plan - Dividend Option	24.5461	29.9381
High		
Growth Option	50.9137	63.7282
Dividend Option	20.1705	27.4060
Direct Plan - Growth Option	53.3423	66.3249
Direct Plan - Dividend Option	24.7973	32.9903
Low		
Growth Option	29.1528	43.1643
Dividend Option	10.6814	17.1005
Direct Plan - Growth Option	30.9480	45.1834
Direct Plan - Dividend Option	13.5078	21.0045
End		
Growth Option	31.3039	50.3996
Dividend Option	11.4695	19.9669
Direct Plan - Growth Option	33.2412	52.8019
Direct Plan - Dividend Option	14.5087	24.5461
2. Closing Assets Under Management (Rs. in Lakhs)		
End	24,650	78,909
Average (AAuM) ¹	57,496	65,698
3. Gross income as % of AAuM ²		
	(15.00)%	9.80%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.39%	2.42%
Direct Plan	1.07%	1.68%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.84%	1.01%
Direct Plan	0.74%	1.01%
5. Net Income as a percentage of AAuM ³		
	(17.19)%	7.46%
6. Portfolio turnover ratio ⁴		
	0.56	0.60
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Dividend Option	1.33	1.77

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Dividend Option	1.33	1.77
Corporate		
Dividend Option	1.33	1.77
Direct Plan - Dividend Option	1.33	1.77
8. Returns (%):		
a. Last One Year		
Scheme		
Growth Option	(37.6500)	(12.8788)
Direct Plan - Growth Option	(36.8100)	(12.2481)
Benchmark		
S&P BSE 250 Small Cap Index	(40.5000)	(10.7800)
b. Since Inception		
Scheme		
Growth Option	7.9700	12.3706
Direct Plan - Growth Option	6.7600	16.2017
Benchmark		
S&P BSE 250 Small Cap Index +	N.A	N.A.

+ For HSBC Small cap Equity Fund: BSE vide its notification dated April 10, 2015 have notified change in the index composition of S&P BSE Midcap Index. As a result returns for the said benchmark are different when compared to the historically published returns. The historical index data for S&P BSE Midcap Index is available only from Sept. 16, 2005 whereas the inception date of the scheme is May 19, 2005, as a result the since inception benchmark returns are not available.

1. AAUM = Average daily net assets.
2. Gross income = amount against (A) in the Revenue account i.e. Income.
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Thomas Cook (India) Ltd.	Equities	–	–	132,485,094	132,485,094
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the Years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.5. Investment in Below Investment grade and default/securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial years March 31, 2020 and March 31, 2019 are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Equity Shares				
Equity Shares				
– Appreciation	230,516,747	9.35	964,819,669	12.23
– Depreciation	1,111,720,660	45.10	860,920,207	10.91

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019 - 2020 (excluding accretion of discount) is Rs. 3,244,741,708 and Rs. 6,699,514,655 respectively being 56.43% and 116.52% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018 - 2019 (excluding accretion of discount) is Rs. 6,137,535,288 and Rs. 3,918,830,356 respectively being 93.42% and 59.65% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio of the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	15.08	17.90	16,269,153	29.43

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2018-2019	71.51	16.26	24,165,122	44.14

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transactions of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020	0.34	0.00	4,084	0.04

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transactions of the fund	Brokerage paid [Rs.] (on accrual basis)	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2018-2019	992.59	0.23	11,475,287	0.24

The brokerage paid was at rates similar to those offered to other brokers/distributors. And the Commission/ Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
- (ii) Devolvement - Nil. (Previous year also Nil)
- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Growth Option	116,682,725.776	12,982,448.198	73,369,155.060	56,296,018.914	10
Dividend Option	41,751,182.498	1,838,126.940	18,039,873.439	25,549,435.999	10
Direct Plan - Growth Option	22,144,389.525	2,274,338.871	12,089,101.974	12,329,626.422	10
Direct Plan - Dividend Option	291,511.482	66,163.536	105,399.112	252,275.906	10

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Growth Option	67,694,245.076	72,439,705.816	23,451,225.116	116,682,725.776	10
Dividend Option	46,714,063.018	9,145,145.792	14,108,026.312	41,751,182.498	10
Direct Plan - Growth Option	16,393,587.914	10,582,079.459	4,831,277.848	22,144,389.525	10
Direct Plan - Dividend Option	461,178.605	80,562.773	250,229.896	291,511.482	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 129,937.630 and as on March 31, 2019 is 129,937.630

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

- 6 No contingent liabilities for the year ended March 31, 2020 and March 31, 2019.
- 7 Expenses other than Management Fees are inclusive of GST where applicable.
- 8 Other Income of Rs. 54,74,371/- (2019: Rs. 753,051) represents Exit load (net of GST) credited to the scheme .

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Multi Cap Equity Fund

Multi Cap Fund – An open ended equity Scheme investing across large cap, mid cap, small cap stocks

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp or watermark.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Multi Cap Equity Fund (HMEF),

(Multi Cap Fund – An open ended equity scheme investing across large cap, mid cap, small cap stocks)

HMEF seeks long term capital growth through investments across all market capitalisations, including small, mid and large cap stocks. The fund aims to be predominantly invested in equity and equity related securities. However, it could move a significant portion of its assets towards fixed income securities if the fund manager becomes negative on equity markets. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HMEF amounted to Rs. 275.84 crores as at March 31, 2020 as compared to Rs 531.29 crores as at March 31, 2019. Around 97.04% of the net assets were invested in equities, 3.42% of the net assets were invested in reverse repos/TREPS and (-0.46%) in net current assets as at March 31, 2020.

HMEF is a multi-cap fund and we remained invested in a diversified portfolio across all capitalization stocks. HMEF has underperformed over 1 year, 3 year, 5 year periods but it has outperformed its benchmark since inception. The benchmark for the fund underwent a change during the year to better reflect the underlying fund strategy and for an effective performance benchmarking. The fund has seen its performance improving during the second half of the year. This was on account of superior stock selection within Financials, Materials, Energy and Communication Services (in that order). The outperformance of the fund since inception, has been possible due to superior stock selection, especially in sectors like Financials, Industrials, Healthcare, and Materials. Over past couple of years, mid and small caps have significantly underperformed large caps and we had higher share of mid and small caps as compared to underlying benchmark. Thus, the fund has underperformed. Additionally, amongst large caps too, the performance has been very narrow. However, after the underperformance in the early part of 2019, we took corrective measures such as reducing the smaller cap proportion in the portfolio especially the smaller sized ones (<Rs. 20 bn in market cap) and at the same time increasing mid cap exposure in the fund. This has contributed to the recent improvement in the performance, which has sustained into the New Year.

Looking ahead, the AMC believes that the COVID-19 disruption is likely to create new investment themes and also accelerate the profit pool migration process visible across sectors. The AMC is positive on the theme of profit pool migration and consolidation visible across and within sectors. So as a result, the AMC would be focusing on market leaders or dominant companies in sectors across the market capitalization spectrum. The COVID-19 disruption would not be uniform across sectors with certain sectors/companies turning out to be beneficiaries of the disruption while others getting adversely impacted. The AMC would be cognizant of this evolving trend and allocate money to sectors/companies who are likely to emerge positively from the disruption. The fund's equity allocation will be oriented towards capturing the profit pool consolidation theme from a medium to long term perspective. However, in the short term, the pandemic has created a lot

Trustees' Report

For the year ended March 31, 2020 (Contd...)

of uncertainty especially regarding the FY21 economic impact and on corporate performance. As a result, the AMC is more positive on sectors that exhibit revenue and earnings resilience as the impact of COVID-19 and the resultant lockdown in the economy is not uniform across sectors. The AMC's overweight stance on Consumer Staples, Healthcare and Telecommunication sectors capture this view. The fund manager is also positive on the beneficiaries of the global supply chain diversification, away from China and also moderately positive on companies that can demonstrate faster rebound in the economic recovery process. Thus, within Discretionary consumption more favorably aligned towards small-ticket consumption items. In the short to medium term, the AMC believes that private sector capex as well as government capex will get delayed and it holds a negative view on the sectors that are dependent on capex. It also has a negative view on labour intensive sectors such as construction, travel, hospitality etc.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)			
		1 Year	3 Years	5 Years	Since Inception
Date of Inception : 24 February 2004					
HSBC Multi Cap Equity Fund - Growth	-29.36	-6.61	-0.69		12.09
Nifty 500 TRI (Scheme Benchmark)	-26.44	-3.14	1.29		11.69
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56		11.57
Rs. 10,000, if invested in HMEF, would have become	7,044	8,144	9,659		62,878
Rs. 10,000, if invested in Nifty 500 TRI, would have become	7,337	9,086	10,663		59,360
Rs. 10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806		58,340

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FILs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FILs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they

Trustees' Report

For the year ended March 31, 2020 (Contd...)

would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April 19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

Trustees' Report

For the year ended March 31, 2020 (Contd...)

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Multi Cap Equity Fund	7,945,219.23	767	7,254,364.71	147

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddha Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Multi Cap Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Multi Cap Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net deficit and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath
Partner
Membership No: 067114

Place : Mumbai
Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	10,885.71
	7,390.98	
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(7,333.69)
2.2	Unrealised Appreciation Reserve	12,591.22
2.3	Other Reserves	36,985.49
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	708.41
	374.01	
	TOTAL	53,837.14
	27,882.62	
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	53,009.78
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	-
1.1.5	Securitised Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitised Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	53,009.78
	26,764.10	
2	Deposits	4.93
	1.50	
3	Other Current Assets	
3.1	Cash & Bank Balance	12.06
3.2	TREPS/Reverse Repo Lending	408.43
3.3	Others	401.94
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	53,837.14
	27,882.62	

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	464.73	649.13
1.2 Interest	62.95	56.58
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	582.75	956.67
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	4.82	4.20
(A)	1,115.25	1,666.58
2 EXPENSES		
2.1 Management Fees	533.31	686.10
2.2 GST on Management Fees	96.00	123.50
2.3 Transfer Agents Fees and Expenses	54.43	76.92
2.4 Custodian Fees	5.43	7.33
2.5 Trusteeship Fees	1.29	1.84
2.6 Commission to Agents	396.91	527.68
2.7 Marketing & Distribution Expenses	0.68	0.36
2.8 Audit Fees	2.08	2.49
2.9 Investor Education Expenses	8.94	11.68
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	11.47	14.69
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	(0.05)
(B)	1,110.54	1,452.54
3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B)	4.71	214.04
4 Change in Unrealised Depreciation in Value of	(675.86)	-
5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D)	(671.15)	214.04
6 Change in Unrealised Appreciation in Value of Investments	(12,591.22)	2,250.87
7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F)	(13,262.37)	2,464.91
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	12,591.22	-
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	(2,250.87)
7.3 Add/(Less) : Equalisation	(9,473.63)	(5,790.21)
7.4 Transfer from Reserve Fund	36,985.49	43,891.84
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	26,840.71	38,315.67
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(3.70)	(1,177.75)
9.2 Tax on Income Distributed during the Year	(0.48)	(152.43)
10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet	26,836.53	36,985.49

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	89.2817	84.7455
Regular Plan Dividend Option	24.0395	24.8244
Direct Plan - Growth Option	93.4978	88.1158
Direct Plan - Dividend Option	26.9272	27.6324
High		
Regular Plan Growth Option	91.2630	93.1363
Regular Plan Dividend Option	24.5735	27.2822
Direct Plan - Growth Option	96.5297	97.1193
Direct Plan - Dividend Option	27.7896	30.4558
Low		
Regular Plan Growth Option	56.0978	76.4279
Regular Plan Dividend Option	15.1049	21.5990
Direct Plan - Growth Option	59.3980	79.7904
Direct Plan - Dividend Option	15.8253	24.1780
End		
Regular Plan Growth Option	62.8951	89.2817
Regular Plan Dividend Option	16.9351	24.0395
Direct Plan - Growth Option	66.6134	93.4978
Direct Plan - Dividend Option	17.7475	26.9272
2. Closing Assets Under Management (Rs. in Lakhs)		
End	27,584	53,129
Average (AAuM) ¹	44,677	58,407
3. Gross income as % of AAuM ²		
	2.50%	2.85%
4. Expense Ratio:		
a. Total Expense as % of AAuM (Including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.52%	2.51%
Direct Plan	1.40%	1.79%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.20%	1.17%
Direct Plan	1.02%	1.17%
5. Net Income as a percentage of AAuM ³		
	0.01%	0.37%
6. Portfolio turnover ratio ⁴		
	1.02	0.30
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan Dividend Option	-	1.68

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Dividend Option	1.77	1.90
Corporate		
Regular Plan Dividend Option	-	1.68
Direct Plan - Dividend Option	1.77	1.90
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	(29.3600)	5.3305
Direct Plan - Growth Option	(28.5600)	6.0854
Benchmark		
S&P BSE 200		12.0600
Nifty 500 TRI ^	(26.4400)	
b. Since Inception		
Scheme		
Regular Plan Growth Option	12.0900	15.6013
Direct Plan - Growth Option	7.9500	15.3915
Benchmark		
S&P BSE 200		14.6100
Nifty 500 TRI ^	11.6900	

^ For HSBC Multi Cap Equity Fund :The benchmark of the scheme has been changed from S&P BSE 200 TRI to NIFTY 500 TRI with effect from November 18, 2019.

1. AAuM = Average daily net assets.
2. Gross income = amount against (A) in the Revenue Account i.e. Income.
3. Net income = amount against (C) in the Revenue Account i.e. Net Realised Gains/(Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	105,109,392	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	17,018,040	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of financial years ended 2020 and 2019 are NIL.
- 1.5. Investments in below investment grade and default/Securities in default beyond its maturity date as on March 31st 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Years March 31, 2020 and March 31, 2019 are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Equity Shares				
– Appreciation	356,903,477	12.94	1,482,038,678	27.89
– Depreciation	424,489,001	15.39	222,916,840	4.20

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) is Rs. 4,567,346,225 and Rs. 5,923,517,692 respectively being 102.23% and 132.58% of the average daily net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-19 (excluding accretion of discount) is Rs. 1,731,819,609 and Rs. 2,636,890,697 respectively being 29.65% and 45.15% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio as on March 31, 2020 and March 31, 2019 is Nil.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020****2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended**

During the year 2019-20, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

During the year 2018-19, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	11.60	30.28	20,219,398	62.45

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	64.86	58.10	27,385,457	58.79

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020	11.05	0.16	132,765	1.16

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2018-2019	436.87	0.75	5,087,811	0.77

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

The brokerage paid was at rates similar to those offered to other brokers/distributors. And the Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	39,475,317.333	3,087,448.424	11,786,464.292	30,776,301.465	10
Regular Plan Dividend Option	67,450,311.942	628,382.900	26,847,541.786	41,231,153.056	10
Direct Plan - Growth Option	1,726,722.003	134,354.579	159,140.563	1,701,936.019	10
Direct Plan - Dividend Option	204,761.205	24,638.011	29,017.346	200,381.870	10

Description	2018 - 2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	44,692,139.535	9,625,673.662	14,842,495.864	39,475,317.333	10
Regular Plan Dividend Option	82,231,301.447	3,616,505.228	18,397,494.733	67,450,311.942	10
Direct Plan - Growth Option	1,614,224.488	321,364.061	208,866.546	1,726,722.003	10
Direct Plan - Dividend Option	239,190.040	34,072.201	68,501.036	204,761.205	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 76942.845 & as on March 31, 2019 is 76942.845.

- 5 Previous years figures have been re-grouped/re-arranged where appropriate.
Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.”
- 6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 482,463/- represents Exit load (net of GST) credited to the scheme. (2019: Rs. 420,242/- represents Exit load (net of GST) credited to the scheme.)

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor_resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Tax Saver Equity Fund

An open ended Equity Linked Saving Scheme with a statutory lock-in of 3 years and tax benefit

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Tax Saver Equity Fund (HTSF)

(An open ended Equity Linked Saving Scheme with a statutory lock-in of 3 years and tax benefit.)

HTSF seeks to provide long term capital appreciation by investing in a diversified portfolio of equity & equity related instruments of companies across various sectors and industries, with no capitalization bias. The Fund may also invest in fixed income securities. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HTSF amounted to Rs. 111.25 crores as at March 31, 2020 compared to Rs. 161.03 crores as at March 31, 2019. Around 96.88% of the net assets were invested in equities, 3.09% of the net assets were invested in reverse repos/TREPS and 0.03% in net current assets as at March 31, 2020.

HTSF has underperformed its benchmark over periods of 1 year and 3 years and 5 –year period, but has outperformed since inception. The fund has done well in FY20 till Feb' 2020 but underperformed during the period of COVID-19 crisis in March' 2020. Over last few months the AMC has made changes in the portfolios to reflect the evolving situation. The AMC has reduced weight in Financials, Consumer Discretionary and Healthcare, while increased weight in Consumer Staples, Communication Services, Information Technology and Energy. The Fund is overweight in Consumer Discretionary, Healthcare, Industrial, Real Estate and Communication Services, equal weight in Consumer Staples, Financials and Materials, while underweight in Utilities, Energy and IT. Going forward, the portfolio would be managed in a bottom up stock picking approach following AMC's valuation - profitability framework of price to book/return on equity, balanced by adequate risk management and the AMC is confident that the performance would bounce back.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
		1 Year	3 Years	5 Years
Date of Inception : 5 January 2007				
HSBC Tax Saver Equity Fund - Growth	-25.75	-5.79	0.71	8.01
S&P BSE 200 TRI (Scheme Benchmark)	-25.24	-2.02	1.76	7.47
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56	7.27
10,000, if invested in HTSF, would have become	7,407	8,360	10,360	27,745
10,000, if invested in S&P BSE 200 TRI, would have become	7,458	9,406	10,913	25,964
10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	25,331

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. As TRI data is not available Since Inception of the scheme, benchmark performance is calculated using composite CAGR of S&P BSE 200 TRI values from date 05-Jan-2007 to date 29-Jun-2007 and TRI values since date 29-Jun-2007.

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet

Trustees' Report

For the year ended March 31, 2020 (Contd...)

strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBI's accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April 19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vinduced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both

Trustees' Report

For the year ended March 31, 2020 (Contd...)

government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Tax Saver Equity Fund	8,826,070.20	1710	4,069,905.26	163

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2020 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and

Trustees' Report

For the year ended March 31, 2020 (Contd...)

136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Tax Saver Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Tax Saver Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net deficit for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	5,135.64
	4,875.22	
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(3,324.44)
2.2	Unrealised Appreciation Reserve	2,759.79
2.3	Other Reserves	11,533.89
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	279.61
	157.20	
	TOTAL	16,384.49
	11,284.62	16,384.49
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	15,687.85
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	-
1.1.5	Securitised Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitised Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	15,687.85
	10,775.66	15,687.85
2	Deposits	2.26
	1.50	
3	Other Current Assets	
3.1	Cash & Bank Balance	7.31
3.2	TREPS/Reverse Repo Lending	271.56
3.3	Others	415.51
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	16,384.49
	11,284.62	16,384.49

Notes to Accounts - Annexure I

Abridged Revenue Account For the Year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	136.78	201.08
1.2 Interest	15.26	13.24
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	9.31	1,600.78
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	0~	-
	(A)	1,815.10
2 EXPENSES		
2.1 Management Fees	204.36	245.33
2.2 GST on Management Fees	36.79	44.16
2.3 Transfer Agents Fees and Expenses	18.67	21.10
2.4 Custodian Fees	1.86	2.01
2.5 Trusteeship Fees	0.44	0.65
2.6 Commission to Agents	101.67	104.44
2.7 Marketing & Distribution Expenses	0.28	-
2.8 Audit Fees	0.84	0.65
2.9 Investor Education Expenses	3.03	3.21
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	5.14	4.55
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	(0.01)
	(B)	426.09
3 NET REALISED GAINS/(LOSSES) FOR THE YEAR	(C = A - B)	1,389.01
4 Change in Unrealised Depreciation in Value of Investments	(D)	-
5 NET GAINS/(LOSSES) FOR THE YEAR	(E = C + D)	1,389.01
6 Change in Unrealised Appreciation in Value of Investments	(F)	(903.98)
7 NET SURPLUS/(DEFICIT) FOR THE YEAR	(G = E + F)	485.03
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	2,759.79	903.98
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3 Add/(Less) : Equalisation	(587.49)	(675.38)
7.4 Transfer from Reserve Fund	11,533.89	11,153.46
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	9,834.96	11,867.09
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(277.34)	(295.02)
9.2 Tax on Income Distributed during the Year	(35.89)	(38.18)
10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet	9,521.73	11,533.89

~ Refer Note number 8 in "Notes to Accounts"

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	37.4550	36.2798
Regular Plan Dividend Option	20.5998	21.8184
Direct Plan - Growth Option	39.1861	37.6887
Direct Plan - Dividend Option	21.6513	22.9431
High		
Regular Plan Growth Option	39.9034	38.4757
Regular Plan Dividend Option	21.7650	23.1390
Direct Plan - Growth Option	42.2012	39.9928
Direct Plan - Dividend Option	23.0706	24.3458
Low		
Regular Plan Growth Option	24.8944	32.1777
Regular Plan Dividend Option	12.5764	17.9325
Direct Plan - Growth Option	26.3599	33.5623
Direct Plan - Dividend Option	13.2623	18.8325
End		
Regular Plan Growth Option	27.7477	37.4550
Regular Plan Dividend Option	14.0179	20.5998
Direct Plan - Growth Option	29.3882	39.1861
Direct Plan - Dividend Option	14.7860	21.6513
2. Closing Assets Under Management (Rs. in Lakhs)		
End	11,125	16,103
Average (AAuM) ¹	15,173	16,049
3. Gross income as % of AAuM ²		
	1.06%	11.31%
4. Expense Ratio:		
a. Total Expense as % of AAuM (Including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.49%	2.67%
Direct Plan	1.29%	1.96%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.36%	1.53%
Direct Plan	0.91%	1.53%
5. Net Income as a percentage of AAuM ³		
	(1.40)%	8.65%
6. Portfolio turnover ratio ⁴		
	0.65	0.58
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan Dividend Option	1.55	1.55

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Dividend Option	1.77	1.77
Corporate		
Regular Plan Dividend Option	1.55	1.55
Direct Plan - Dividend Option	1.77	1.77
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	(25.7500)	3.2213
Direct Plan - Growth Option	(24.8300)	3.9548
Benchmark		
S&P BSE 200 TRI	(25.2400)	12.0600
b. Since Inception		
Scheme		
Regular Plan Growth Option	8.0100	11.3978
Direct Plan - Growth Option	7.8800	14.3625
Benchmark		
S&P BSE 200 TRI	7.47⁺	10.67 ⁺

⁺ For Tax Saver Equity Fund: As Total Return Index (TRI) data is not available since inception of the scheme, benchmark performance is calculated using composite CAGR of S&P BSE 200 Price Return Index (PRI) values from date 05-Jan-2007 to date 29-Jun-2007 and TRI values since date 29-Jun-2007.

1. AAuM = Average daily net assets.
2. Gross income = amount against (A) in the Revenue Account i.e. Income.
3. Net income = amount against (C) in the Revenue Account i.e. Net Realised Gains/(Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL
- 1.3. Investments in Associates and Group Companies are as under :

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	29,939,422	194,922,114
Bharti Airtel Ltd.	Equities	4,055,040	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open position of Securities Borrowed and/or Lent by the Scheme as of the years ended 31 March, 2020 and March 31, 2019 is NIL.
- 1.5. Investment in Below Investment grade and default/securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year and their percentages to net assets are as under:

Company Name	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Equity Shares				
– Appreciation	135,242,855	12.16	353,051,481	21.92
– Depreciation	225,213,582	20.24	77,072,492	4.79

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) is Rs. 989,359,089 and Rs. 1,115,567,663 respectively being 65.21% and 73.53% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-19 (excluding accretion of discount) is Rs. 927,544,101 and Rs. 1,111,566,725 respectively being 57.79% and 69.26% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio of the scheme as of the Years ended March 31, 2020 and March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

During the year 2019-20, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

During the year 2018-19, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	0.98	20.48	741,139	11.27

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2018-2019	1.39	20.72	683,628	8.76

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. In Crores]	% of total value of transactions of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020	12.10	0.08	145,271.14	1.11

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. In Crores]	% of total value of transactions of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2018-2019	NIL			

The brokerage paid was at rates similar to those offered to other brokers/distributors. The Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	31,670,370.974	770,097.626	2,425,638.317	30,014,830.283	10
Dividend Option	18,441,702.386	231,370.363	1,310,735.463	17,362,337.286	10
Direct Plan - Growth Option	993,939.378	179,469.144	65,661.427	1,107,747.095	10
Direct Plan - Dividend Option	250,347.895	32,833.727	15,850.599	267,331.023	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	33,682,685.594	890,782.027	2,903,096.647	31,670,370.974	10
Dividend Option	19,738,598.706	536,925.176	1,833,821.496	18,441,702.386	10
Direct Plan - Growth Option	858,454.596	204,788.287	69,303.505	993,939.378	10
Direct Plan - Dividend Option	236,541.288	40,691.324	26,884.717	250,347.895	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 187,801.892 and as on March 31, 2019 is 187,801.892

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

- 6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other Income for the year ended March 31, 2020 is Rs. 22/- (Interest recd on printing & stationery bill paid by scheme instead off AMC -EXP) (2019: Nil).

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Infrastructure Equity Fund

An open ended Equity Scheme following Infrastructure theme

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp or watermark.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Infrastructure Equity Fund (HIEF)

(An open ended equity scheme following Infrastructure theme.)

HIEF seeks to generate long term capital appreciation from an actively managed portfolio of equity and equity related securities by investing predominantly in equity and equity related securities of companies engaged in or expected to benefit from growth and development of Infrastructure in India. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HIEF amounted to Rs. 55.58 crores as at March 31, 2020 as compared to Rs. 110.76 crores as at March 31, 2019. Around 95.99% of the net assets were invested in equities, 3.15% of the net assets were invested in reverse repos/TREPS and 0.86% in net current assets as at March 31, 2020.

HIEF is a theme based fund with focus on infrastructure segment. The theme has not worked in last couple of years due to various challenges this sector has faced. This is reflected in BSE Infrastructure Index underperforming the Nifty/BSE 200 Index. During 1 year, 3 years and over 5 years, the scheme underperformed the benchmark. The primary reason of underperformance is high exposure to lower end of market cap curve. Since 2018, small cap has underperformed significantly relative to large caps (evidenced by the fact that Nifty has outperformed Mid cap index and Small cap index significantly). The current Covid-19 crisis may have significant impact on the infrastructure sector in the current financial year as both central and state government funding will be constraints due to lower tax revenue and higher spend towards fiscal packages. However, post that it is expected that a pickup in the awarding activities as India remains an Infrastructure starved country. Government focus on infrastructure has been high and this is one of large employment generating sector. Hence, the AMC believes that this theme to do well in medium term to long term. Further, changes are carried out in the portfolio to bring its market cap allocation in line with peers. Therefore, the AMC expects the fund to do well in medium to long term.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)			
		1 Year	3 Years	5 Years	Since Inception
Date of Inception : 23 February 2006					
HSBC Infrastructure Equity Fund - Growth	-44.09	-21.50	-11.97	0.00	
S&P BSE India Infrastructure TRI (Scheme Benchmark)	-42.21	-16.31	-6.84	NA	
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56	8.92	
Rs. 10,000, if invested in HIEF, would have become	5,564	4,834	5,283	10,000	

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)			
		1 Year	3 Years	5 Years	Since Inception
Date of Inception : 23 February 2006					
Rs. 10,000, if invested in S&P BSE India Infrastructure TRI, would have become	5,753	5,859	7,014	NA	
Rs. 10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	33,387	

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Please Note: NA means not available.

The launch date of the S&P BSE India Infrastructure Index (INR) is May 19, 2014 whereas the inception date of the scheme is Feb 23, 2006. Information presented for 5 year return is back-tested which is available from Mar 31, 2008. The corresponding benchmark returns since inception of the scheme is not available. All index data is available on the website of Asia Index Pvt. Ltd. a joint venture between BSE Ltd. and S&P Dow Jones Indices LLC. (source: <http://www.asiaindex.co.in>).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FILs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FILs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the

Trustees' Report

For the year ended March 31, 2020 (Contd...)

scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with

Trustees' Report

For the year ended March 31, 2020 (Contd...)

HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Infrastructure Equity Fund	991,236.00	256	8,292,358.23	330

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Naggpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

10. STATUTORY DETAILS

- a) The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- b) The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- c) Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Infrastructure Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Infrastructure Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net deficit for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**
 Chartered Accountants
 ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath
 Partner
 Membership No: 067114

Place : Mumbai
 Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	6,488.25
	5,852.95	
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(9,143.98)
2.2	Unrealised Appreciation Reserve	-
2.3	Other Reserves	13,731.07
	8,137.69	
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	171.27
	91.15	
	TOTAL	11,246.61
	5,649.60	
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	11,060.49
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	-
1.1.5	Securitized Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitized Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitized Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	11,060.49
	5,335.30	
2	Deposits	2.02
	1.50	
3	Other Current Assets	
3.1	Cash & Bank Balance	4.58
3.2	TREPS/Reverse Repo Lending	65.93
3.3	Others	113.59
	133.80	
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	11,246.61
	5,649.60	

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	127.48	198.07
1.2 Interest	11.58	12.40
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	(3,330.79)	(654.84)
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	1.79	1.78
	(A) (3,189.94)	(442.59)
2 EXPENSES		
2.1 Management Fees	129.57	216.32
2.2 GST on Management Fees	23.32	38.94
2.3 Transfer Agents Fees and Expenses	11.01	17.02
2.4 Custodian Fees	1.11	1.64
2.5 Trusteeship Fees	0.26	0.37
2.6 Commission to Agents	56.66	82.72
2.7 Marketing & Distribution Expenses	0.06	0.91
2.8 Audit Fees	0.42	0.45
2.9 Investor Education Expenses	1.81	2.61
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	2.97	2.74
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	(0.01)
	(B) 227.19	363.71
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B) (3,417.13)	(806.30)
4 Change in Unrealised Depreciation in Value of Investments	(D) (1,144.83)	(919.59)
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D) (4,561.96)	(1,725.89)
6 Change in Unrealised Appreciation in Value of Investments	(F) -	(1,880.80)
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F) (4,561.96)	(3,606.69)
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	-	1,880.80
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3 Add/(Less) : Equalisation	(1,031.42)	(1,883.49)
7.4 Transfer from Reserve Fund	13,731.07	17,340.45
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	8,137.69	13,731.07
9 Dividend Appropriation		
9.1 Income Distributed during the Year	-	-
9.2 Tax on Income Distributed during the Year	-	-
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	8,137.69	13,731.07

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	17.9713	22.9600
Dividend Option	15.2863	19.5296
Direct Plan - Growth Option	18.7961	23.8471
Direct Plan - Dividend Option	15.9803	20.2746
High		
Growth Option	18.5267	25.2445
Dividend Option	15.7587	21.4728
Direct Plan - Growth Option	19.4065	26.2336
Direct Plan - Dividend Option	16.4992	22.3035
Low		
Growth Option	9.1097	14.7579
Dividend Option	7.7487	12.5530
Direct Plan - Growth Option	9.6474	15.4231
Direct Plan - Dividend Option	8.1890	13.1126
End		
Growth Option	10.0015	17.9713
Dividend Option	8.5072	15.2863
Direct Plan - Growth Option	10.5951	18.7961
Direct Plan - Dividend Option	8.9930	15.9803
2. Closing Assets Under Management (Rs. in Lakhs)		
End	5,558	11,076
Average (AAuM) ¹	9,033	13,046
3. Gross income as % of AAuM ²		
	(35.31)%	(3.39)%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.55%	2.81%
Direct Plan	1.30%	2.11%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.45%	1.66%
Direct Plan	0.92%	1.66%
5. Net Income as a percentage of AAuM ³		
	(37.83)%	(6.18)%
6. Portfolio turnover ratio ⁴		
	0.41	0.33
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Dividend Option	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Dividend Option	-	-
Corporate		
Dividend Option	-	-
Direct Plan - Dividend Option	-	-
8. Returns (%):		
a. Last One Year		
Scheme		
Growth Option	(44.0900)	(21.6817)
Direct Plan - Growth Option	(43.3700)	(21.1346)
Benchmark		
S&P BSE India Infrastructure Index	(42.2100)	(5.5800)
b. Since Inception		
Scheme		
Growth Option	0.0000	4.5771
Direct Plan - Growth Option	(2.2100)	6.8070
Benchmark		
S&P BSE India Infrastructure Index TRI	NA⁺	NA ⁺

+ For HSBC Infrastructure Equity Fund: S&P BSE India Infrastructure Index was launched on 19 May 2014 i.e., post date of allotment of HSBC Infrastructure Equity Fund, the returns since inception are not available.

1. AAUM = Average daily net assets.
2. Gross income = amount against (A) in the Revenue account i.e. Income.
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.5. Investment in Below Investment grade and default/securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year 2019 -2020 and percentage to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Equity Shares				
– Appreciation	64,599,152	11.62	214,004,657	19.32
– Depreciation	271,041,603	48.77	305,963,709	27.62

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 371,524,811 and Rs. 496,487,357 respectively being 41.13% and 54.96% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 429,392,829 and Rs. 578,770,092 respectively being 32.91% and 44.36% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio as on March 31, 2020 and March 31, 2019 is Nil.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

During the year 2019-20, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

During the year 2018-19, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	0.41	6.11	1,807,582	50.54

Name of Sponsor/AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2018-2019	8.82	51.49	3,319,863	47.71

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associate/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020			Nil	

Name of Sponsor/AMC and its associate/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2018-2019	96.82	0.26	1,160,916.62	0.26

The brokerage paid was at rates similar to those offered to other brokers/distributors. And the Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019 :

Description	2019 - 2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Growth Option	40,932,909.589	800,697.363	5,316,378.831	36,417,228.121	10
Dividend Option	22,242,382.851	61,298.153	1,926,853.359	20,376,827.645	10
Direct Plan - Growth Option	1,648,831.324	1,173,359.438	1,160,927.170	1,661,263.592	10
Direct Plan - Dividend Option	58,412.051	51,775.581	35,983.925	74,203.707	10

Description	2018 - 2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Growth Option	48,858,187.842	5,031,976.378	12,957,254.631	40,932,909.589	10
Dividend Option	25,191,591.291	278,066.712	3,227,275.152	22,242,382.851	10
Direct Plan - Growth Option	802,682.391	1,355,697.844	509,548.911	1,648,831.324	10
Direct Plan - Dividend Option	45,663.236	29,280.612	16,531.797	58,412.051	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 274,726.784 and as on March 31, 2019 is 274,726.784.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

- 6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other Income of Rs. 179,301/- represents Exit load (net of GST) credited to the scheme. (2019: Rs. 177,633/- represents Exit load (net of GST) credited to the Scheme)

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



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

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Large and Mid-Cap Equity Fund (HLMF)@

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

HLMF seeks to provide long term capital growth through investments in both large cap and mid cap stocks. However, there is no assurance that the investment objective of the Scheme will be achieved.

The net assets of HLMF amounted to Rs. 502.69 crores as at March 31, 2020 and Rs. 642.63 crores as at March 31 2019. Around 95.83% of the net assets were invested in equities, 4.48% of the net assets were invested in reverse repos/TREPS and (-0.31%) in net current assets as at March 31, 2020. The inception date of the scheme is March 28, 2019.

HLMF is a fund launched in March 2019. The fund will maintain at least 35% each will be towards large cap stocks and mid cap stocks. The fund has outperformed its benchmark on a 1 year as well as since inception. The 1-year performance was driven by stock selection in financials, industrials, healthcare, real estate, materials (paints) and consumer discretionary which were also overweight sectors. In terms of fund strategy, the AMC be looking to be in large caps where scale would be an advantage (like in the case of banks/financials) and while for midcaps the focus will be on sector leaders or niche players in their respective businesses. For example, in segments like retail, consumer durables, specialty chemicals, gas utilities there are sector leaders and niche players within midcap and small caps. In some other cases like that of pharma it has a mix of large and midcaps as there are dominant players in hospitals, diagnostics which are midcaps. The key theme of the portfolio has been to be in sector leaders across the market capitalization spectrum and as they would gain from market share shift along with profit pool consolidation. Given the COVID 19 related disruption, the AMC thinks the above theme will accelerate. However, in the short term, the pandemic has created a lot of uncertainty especially regarding the FY21 economic impact and on corporate performance. As a result, the fund manager is more positive on sectors that exhibit revenue and earnings resilience as the impact of COVID-19 and the resultant lockdown in the economy is not uniform across sectors. The overweight stance on Consumer Staples, Healthcare and Telecommunication sectors capture this view. The AMC is also positive on the beneficiaries of the global supply chain diversification, away from China and are also moderately positive on companies that can demonstrate faster rebound in the economic recovery process. Thus, within Discretionary consumption the investment team is more favorably aligned towards small-ticket consumption items. In the short to medium term, they believe that private sector capex as well as government capex will get delayed and they hold a negative view on the sectors that are dependent on capex. The AMC also has a negative view on labour intensive sectors such as construction, travel, hospitality etc.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
	1 Year	3 Years	5 Years	Since Inception
Date of Inception : 28 March 2019				
HSBC Large and Mid Cap Equity Fund- Growth	-22.68	NA	NA	-22.68
NIFTY Large Midcap 250 TR (Scheme Benchmark)	-26.67	NA	NA	-26.67
Nifty 50 TRI (Standard Benchmark)	-24.44	NA	NA	-24.44
10,000, if invested in HEHF, would have become	7,710	NA	NA	7,710
10,000, if invested in NIFTY Large Midcap 250 TRI , would have become	7,308	NA	NA	7,308
10,000, if invested in Nifty 50 TRI, would have become	7,533	NA	NA	7,533

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FILs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FILs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the

Trustees' Report

For the year ended March 31, 2020 (Contd...)

scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

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For the year ended March 31, 2020 (Contd...)

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with

Trustees' Report

For the year ended March 31, 2020 (Contd...)

HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP00001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Nil.

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and

Trustees' Report

For the year ended March 31, 2020 (Contd...)

1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Naggpur and Gautam Buddha Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

10. STATUTORY DETAILS

- a) The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- b) The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- c) Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund – HSBC Large and Mid Cap Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Large and Mid Cap Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net deficit for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**
Chartered Accountants
 ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath
Partner
 Membership No: 067114

Place : Mumbai
 Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	
	65,146.76	64,190.56
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(16.95)
2.2	Unrealised Appreciation Reserve	-
2.3	Other Reserves	30.89
	(14,888.94)	41.70
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	598.90
	598.90	10,282.11
	TOTAL	50,839.77
	50,839.77	74,545.26
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	48,170.75
1.1.2	Preference Shares	13,934.55
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	-
1.1.5	Securitized Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	3.33
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitized Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitized Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	9,846.50
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	48,174.08
	48,174.08	23,781.05
2	Deposits	1.50
3	Other Current Assets	
3.1	Cash & Bank Balance	15.00
3.2	TREPS/Reverse Repo Lending	2,254.19
3.3	Others	395.00
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	50,839.77
	50,839.77	74,545.26

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous period ended March 31, 2019
1 INCOME		
1.1 Dividend	678.43	–
1.2 Interest	204.10	58.13
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	–	–
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	–	–
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	(2,894.71)	(0.40)
1.6 Realised Gains/(Losses) on Derivative Transactions	–	–
1.7 Other Income	103.67	–
(A)	(1,908.51)	57.73
2 EXPENSES		
2.1 Management Fees	558.09	5.84
2.2 GST on Management Fees	100.46	1.05
2.3 Transfer Agents Fees and Expenses	80.06	0.76
2.4 Custodian Fees	7.61	0.01
2.5 Trusteeship Fees	1.85	–
2.6 Commission to Agents	748.04	8.09
2.7 Marketing & Distribution Expenses	0.54	–
2.8 Audit Fees	3.79	0.03
2.9 Investor Education Expenses	12.81	0.14
2.10 Interest on Borrowing	–	–
2.11 Other Operating Expenses	15.42	0.11
2.12 Less : Expenses to be Reimbursed by the Investment Manager	–	–
(B)	1,528.67	16.03
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	41.70
4 Change in Unrealised Depreciation in Value of Investments	(D)	(11,387.09)
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	41.70
6 Change in Unrealised Appreciation in Value of Investments	(F)	(30.89)
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	72.59
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	30.89	–
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	–	(30.89)
7.3 Add/(Less) : Equalisation	(106.37)	–
7.4 Transfer from Reserve Fund	41.70	–
7.5 Transfer from Unit Premium Reserve	–	–
8 Total	(14,888.94)	41.70
9 Dividend Appropriation		
9.1 Income Distributed during the Year	–	–
9.2 Tax on Income Distributed during the Year	–	–
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	(14,888.94)	41.70

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous period ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.0112	N.A
Dividend Option	10.0112	N.A
Direct Plan - Growth Option	10.0129	N.A
Direct Plan - Dividend Option	10.0129	N.A
High		
Growth Option	10.9632	-
Dividend Option	10.9632	-
Direct Plan - Growth Option	11.1216	-
Direct Plan - Dividend Option	11.1179	-
Low		
Growth Option	6.9946	-
Dividend Option	6.9946	-
Direct Plan - Growth Option	7.1063	-
Direct Plan - Dividend Option	7.1036	-
End		
Growth Option	7.7100	10.0112
Dividend Option	7.7100	10.0112
Direct Plan - Growth Option	7.8362	10.0129
Direct Plan - Dividend Option	7.8331	10.0129
2. Closing Assets Under Management (Rs. in Lakhs)		
End	50,269	64,263
Average (AAuM) ¹	64,047	64,237
3. Gross income as % of AAuM ²		
	-2.98%	8.20%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST tax on Management fees) (planwise)		
Regular Plan (Continue)	2.42%	2.35%
Direct Plan	0.83%	0.84%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.88%	0.83%
Direct Plan	0.54%	0.83%
5. Net Income as a percentage of AAuM ³		
	-5.37%	5.92%
6. Portfolio turnover ratio ⁴		
	1.14	-
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Dividend Option	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous period ended March 31, 2019
Direct Plan - Dividend Option	-	-
Corporate		
Dividend Option	-	-
Direct Plan - Dividend Option	-	-
8. Returns (%):		
a. Last One Year		
Scheme		
Growth Option	(22.6800)	N.A.
Direct Plan - Growth Option	(21.4300)	N.A.
Benchmark		
NIFTY LargeMidcap 250 TRI	(26.6700)	N.A.
b. Since Inception		
Scheme		
Growth Option	(22.6800)	N.A.
Direct Plan - Growth Option	(21.4300)	N.A.
Benchmark		
NIFTY LargeMidcap 250 TRI	(26.6700)	N.A.

1. AAuM = Average daily net assets.
2. Gross income = amount against (A) in the Revenue account i.e. Income.
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	116,587,250	594,575,759	–	356,482
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Years March 31, 2020 and March 31, 2019 and percentage to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Equity Shares				
– Appreciation	137,032,346	2.73	6,468,290	0.10
– Depreciation	1,275,741,175	25.38	3,971,308	0.06
Certificate of Deposit / Commercial Papers				
– Appreciation	–	–	623,375	0.01
– Depreciation	–	–	31,150	~0.00

~ Indicates less than 0.01

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019 - 2020 (excluding accretion of discount) is Rs. 11,151,619,876 and Rs. 7,286,860,237 respectively being 174.12% and 113.77% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018 - 2019 (excluding accretion of discount) is Rs. 2,374,432,518 and Rs. Nil respectively being 36.96% and Nil of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is as under :

Security Category	Fair Value (Rupees)	Percentage to Net Assets	Fair Value (Rupees)	Percentage to Net Assets
	2020		2019	
Money Market Instruments	–	–	984,650,435	15.32%
Total	–	–	984,650,435	15.32%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

During the year 2019-20, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

During the year 2018-19, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	35.10	24.09	41,459,800	63.74

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2018-2019	512.59	79.85	–	–

Brokerage paid to Sponsor/AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020	11.10	0.08	133,033	0.87

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2018-2019			Nil	

The brokerage paid was at rates similar to those offered to other brokers/distributors. And the Commission/ Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	561,475,278.616	118,724,908.934	83,826,184.369	596,374,003.181	10
Dividend Option	50,650,752.296	5,554,259.521	11,420,756.876	44,784,254.941	10
Direct Plan - Growth Option	29,561,952.490	12,643,379.947	35,196,676.966	7,008,655.471	10
Direct Plan - Dividend Option	217,647.217	3,103,715.534	20,632.520	3,300,730.231	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	–	561,475,278.616	–	561,475,278.616	10
Dividend Option	–	50,650,752.296	–	50,650,752.296	10
Direct Plan – Growth Option	–	29,561,952.490	–	29,561,952.490	10
Direct Plan - Dividend Option	–	217,647.217	–	217,647.217	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2020 is 500,000.000 & as on 31/03/2019 is 500,000.000

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.
- 6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 10,367,469/- represents Exit load (net of GST) credited to the scheme. (2019: Nil).

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Debt Fund

An open ended medium to long term debt Scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 years to 7 years

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and cursive.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Debt Fund (HDF)

(An open ended medium to long term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 years to 7 years)

HDF seeks to provide reasonable income through a diversified portfolio of fixed income securities such that the Macaulay duration of the portfolio is between 4 years to 7 years. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HSBC Debt Fund amounted to Rs. 36.22 crores as at March 31, 2020 as compared to Rs. 39.81 crores as at March 31, 2019. Around 87.13% of the net assets was invested in debt and money market instruments and 12.87% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2019.

Bond markets remained volatile over the year. In the first half of the year, stable crude prices along with very low inflation, including core inflation, led to RBI cutting rates thrice till August of 2019. This resulted in GOI 10-year benchmark security moving to a peak of 7.40 at the beginning of the year hit a low of 6.25 in July-August 2019. Post reversal in inflation rising above 5%, bonds were range bound from August onwards, also sold off/range bound till February on budget uncertainties. Due to continued RBI support by way of incremental rate cut of 110bps and liquidity infusion, 10 year closed at 6.15 levels in March 2020. HDF underperformed its scheme's benchmark for 1 year as fund was overweight index during first half of the year, however went underweight due to very high volatility post December due to fiscal concerns and markets continued to do well due to RBI Support leading to our underperformance. The fund was overweight index when yields hardened between 2017 and 2018 impacting negatively on 3 and 5-year performance. Long term performance is expected to recover over the period of time.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
	1 Year	3 Years	5 Years	Since Inception
Date of Inception : 10 December 2002				
HSBC Debt Fund – Growth	10.57	6.37	6.63	7.10
Crisil Composite Bond Fund Index (Scheme Benchmark)	12.57	8.10	8.72	7.08
Crisil 10 Year Gilt Index (Standard Benchmark)	14.55	6.85	8.06	6.43
Rs. 10,000, if invested in HDF, would have become	11,066	12,037	13,790	32,801
Rs. 10,000, if invested in CRISIL Composite Bond Fund Index, would have become	11,268	12,635	15,197	32,695
Rs. 10,000, if invested in CRISIL 10 Year Gilt Index, would have become	11,468	12,201	14,740	29,423

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged

Trustees' Report

For the year ended March 31, 2020 (Contd...)

in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April 19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Debt Fund	963,929.98	248	2,008,049.51	28

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall

Trustees' Report

For the year ended March 31, 2020 (Contd...)

complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Debt Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Debt Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that

Independent Auditors' Report (Contd...)

is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
3. As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	1,456.08
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(567.58)
2.2	Unrealised Appreciation Reserve	22.14
2.3	Other Reserves	3,018.00
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	29.98
	TOTAL	3,702.51
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	605.75
1.1.5	Securitised Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitised Debt Securities	-
1.4	Government Securities	2,215.07
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	335.14
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	3,155.96
2	Deposits	10.63
3	Other Current Assets	6.29
3.1	Cash & Bank Balance	0.33
3.2	TREPS/Reverse Repo Lending	471.84
3.3	Others	63.75
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	3,702.51

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	-	-
1.2 Interest	286.67	299.13
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	226.44	(0.02)
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	-	-
(A)	513.11	299.11
2 EXPENSES		
2.1 Provision for diminution in receivable against investment maturity & outstanding interest		
2.2 Management Fees	45.31	44.49
2.3 GST on Management Fees	8.16	8.01
2.4 Transfer Agents Fees and Expenses	1.56	1.65
2.5 Custodian Fees	0.08	0.07
2.6 Trusteeship Fees	0.09	0.07
2.7 Commission to Agents	8.68	8.21
2.8 Marketing & Distribution Expenses	0.09	-
2.9 Audit Fees	0.20	0.20
2.10 Investor Education Expenses	0.83	0.81
2.11 Interest on Borrowing	-	-
2.12 Other Operating Expenses	0.72	0.43
2.13 Less : Expenses to be Reimbursed by the Investment Manager	-	-
(B)	65.72	63.94
3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B)	447.39	235.17
4 Change in Unrealised Depreciation in Value of Investments (D)	(1.38)	6.04
5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D)	446.01	241.21
6 Change in Unrealised Appreciation in Value of Investments (F)	(17.82)	39.80
7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F)	428.19	281.01
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	17.82	-
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	(39.80)
7.3 Add/(Less) : Equalisation	(461.51)	(391.35)
7.4 Transfer from Reserve Fund	3,018.00	3,177.77
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	3,002.50	3,027.63
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(12.74)	(6.93)
9.2 Tax on Income Distributed during the Year	(4.97)	(2.70)
10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet	2,984.79	3,018.00

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Growth Option	29.6548	27.7088
Regular Dividend Option	-	-
Regular Quarterly Dividend Option	10.9272	10.5878
Regular Weekly Dividend Option	-	-
Regular Monthly Dividend Option	-	-
Institutional Weekly Dividend Option	-	-
Institutional Plus Growth Option	-	-
Direct Plan - Growth Option	31.1265	28.8667
Direct Plan - Weekly Dividend Option	-	-
Direct Plan - Monthly Dividend Option	-	-
Direct Plan - Quarterly Dividend Option	-	-
High		
Regular Growth Option	33.0496	29.6506
Regular Quarterly Dividend Option	11.5446	11.1227
Regular Weekly Dividend Option	-	-
Regular Monthly Dividend Option	-	-
Institutional Weekly Dividend Option	-	-
Institutional Plus Growth Option	-	-
Direct Plan - Growth Option	34.9565	31.1202
Direct Plan - Weekly Dividend Option	-	-
Direct Plan - Monthly Dividend Option	-	-
Direct Plan - Quarterly Dividend Option	11.5697	-
Low		
Regular Growth Option	29.4579	27.2045
Regular Quarterly Dividend Option	10.8546	10.3951
Regular Weekly Dividend Option	-	-
Regular Monthly Dividend Option	-	-
Institutional Weekly Dividend Option	-	-
Institutional Plus Growth Option	-	-
Direct Plan - Growth Option	30.9339	28.3809
Direct Plan - Weekly Dividend Option	-	-
Direct Plan - Monthly Dividend Option	-	-
Direct Plan - Quarterly Dividend Option	11.0947	-
End		
Regular Growth Option	32.8091	29.6548
Regular Quarterly Dividend Option	11.2670	10.9272

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Regular Weekly Dividend Option	–	–
Regular Monthly Dividend Option	–	–
Direct Plan - Growth Option	34.7199	31.1265
Direct Plan - Weekly Dividend Option	–	–
Direct Plan - Monthly Dividend Option	–	–
Direct Plan - Quarterly Dividend Option	11.2876	–
2. Closing Assets Under Management (Rs. in Lakhs)		
End	3,622	3,981
Average (AAuM) ¹	4,145	4,057
3. Gross income as % of AAuM ²	12.38%	7.37%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	2.07%	2.03%
Direct Plan - Growth Option	1.25%	1.28%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	1.25%	1.10%
Direct Plan - Growth Option	0.99%	1.10%
5. Net Income as a percentage of AAuM ³	10.79%	5.80%
6. Portfolio turnover ratio ⁴	–	–
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Weekly Dividend Option	–	–
Regular Quarterly Dividend Option	0.5690	0.2881
Regular Monthly Dividend Option	–	–
Institutional Weekly Dividend Option	–	–
Direct Plan - Weekly Dividend Option	–	–
Direct Plan - Monthly Dividend Option	–	–
Direct Plan - Quarterly Dividend Option	0.4466	–
Corporate		
Regular Weekly Dividend Option	–	–
Regular Quarterly Dividend Option	0.5269	0.2668
Regular Monthly Dividend Option	–	–
Institutional Weekly Dividend Option	–	–
Direct Plan - Weekly Dividend Option	–	–
Direct Plan - Monthly Dividend Option	–	–
Direct Plan - Quarterly Dividend Option	0.4136	–

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option	10.5700	7.0137
Institutional Plus Growth Option	N.A.	N.A.
Direct Plan - Growth Option	11.4700	7.8192
Benchmark		
CRISIL Composite Bond Fund Index	12.5700	6.7200
b. Since Inception		
Scheme		
Regular Growth Option	7.1000	6.8907
Institutional Plus Growth Option	N.A.	N.A.
Direct Plan - Growth Option	7.9000	7.3273
Benchmark		
CRISIL Composite Bond Fund Index	7.0800	6.7400

1. AAuM = Average daily net assets.
2. Gross income = amount against (A) in the Revenue account i.e. Income.
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:-

- 1.1. It is confirmed that investments of the scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of year ended March 31, 2020 and March 31, 2019 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years 2020 and 2019 and their percentages to net assets are as under :

Security Type	March 31, 2020		March 31, 2019	
	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
- Appreciation	–	–	2,887,625	0.73
- Depreciation	137,860	0.04	–	–
Certificate of Deposits				
- Appreciation	472,594	0.13	24,270	0.01
- Depreciation	–	–	–	–
Government Securities				
- Appreciation	1,776,508	0.49	1,312,758	0.33
- Depreciation	35,526	0.01	228,994	0.06

- 1.7. The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 1,779,195,896 and Rs. 1,872,116,040 respectively being 429.27% and 451.69% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-19 (excluding accretion of discount) are Rs. 2,321,699,409 and Rs. 2,346,451,987 respectively being 572.27% and 578.37% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets are as under:

Security Category	Fair Value (Rupees)	% to Net Assets	Fair Value (Rupees)	% to Net Assets
	2020		2019	
Debt Instruments	20,590,840	5.68%	197,845,915	49.70%
Money Market Instruments	–	–	18,670,460	4.69%
Total	20,590,840	5.68%	216,516,375	54.39%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

During the year 2019-20, The Hong Kong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges are Nil.

During the year 2018-19, The Hong Kong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges are Nil.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2019-2020	0.05	1.51	181,616.40	38.35

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2018-2019	0.03	0.78	329,464.70	58.77

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL).

The brokerage paid was at rates similar to those offered to other brokers / distributors. The Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hong Kong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.- Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets as at the years ended on March 31, 2020 and March 31, 2019.
 - 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Quarterly Dividend Option	2,410,973.423	59,906.509	255,330.109	2,215,549.823	10
Regular Growth Option	4,367,125.843	651,290.445	459,819.080	4,558,597.208	10
Direct Plan - Growth Option	7,782,651.919	387,173.225	2,622,172.127	5,547,653.017	10
Direct Plan - Quarterly Dividend Option	-	10,036.800	-	10,036.800	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Dividend Option	2,897,951.206	35,696.385	522,674.168	2,410,973.423	10
Regular Growth Option	5,391,240.951	472,825.326	1,496,940.434	4,367,125.843	10
Direct Plan - Growth Option	8,949,789.359	713,610.065	1,880,747.505	7,782,651.919	10

Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 206,147.313 & as on March 31, 2019 is 206,147.313.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.
- 6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other Income is Rs. 2/- Interest recd on printing & stationery bill paid by scheme instead off AMC -EXP and Exit load credited to the scheme is Nil (2019:Nil).

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020****9 Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

10 Garnishee Notice from Income Tax Authorities

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores.

Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year.

Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT.

The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th Feb 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter was scheduled on April 17, 2020. However, due to the COVID 19 pandemic situation, the hearing scheduled on 17th April 2020 is getting auto adjourned.

- 11 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 12 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Short Duration Fund

An open ended short term debt Scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and stylized.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Short Duration Fund (HSDF)

(An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years)

HSDF seeks to provide reasonable income through a diversified portfolio of fixed income securities such that the Macaulay duration of the portfolio is between 1 year to 3 years. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HSBC Short Duration Fund amounted to Rs. 324.67 crores as at March 31, 2020 as compared to Rs. 833.38 crores as at March 31, 2019. Around 90.56% of the net assets were invested in debt and money market instruments and 9.44% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2020.

HSDF underperformed its scheme's benchmark. One of scheme's exposure (Dewan Housing Finance Corporation Ltd) has been downgraded to "D" from 'BBB-'. Scheme written off 75% of the interest accrued till 3rd June 2019 and have also written off principal by 75%, resulting in underperformance.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)			
		1 Year	3 Years	5 Years	Since Inception
Date of Inception : 10 December 2002					
HSBC Short Duration Fund - Growth	-1.24	3.61	5.28	6.54	
Crisil Short Term Bond Fund Index (Scheme Benchmark)	9.78	7.83	8.21	7.30	
Crisil 1 Year T-Bill Index (Standard Benchmark)	7.44	6.91	7.11	6.11	
Rs. 10,000, if invested in HSDF, would have become	9,875	11,124	12,938	29,954	
Rs. 10,000, if invested in Crisil Short Term Bond Fund Index, would have become	10,986	12,540	14,843	33,878	
Rs. 10,000, if invested in Crisil 1 Year T-Bill Index, would have become	10,750	12,222	14,103	27,928	

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2020 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, e-commerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability,

Trustees' Report

For the year ended March 31, 2020 (Contd...)

immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Short Duration Fund	628,852.18	26	2,275,075.03	3

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2020 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and

Trustees' Report

For the year ended March 31, 2020 (Contd...)

136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Short Duration Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HSBC Short Duration Fund (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net deficit and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that

Independent Auditors' Report (Contd...)

is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
3. As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	36,960.59
2	Reserves & Surplus	
2.1	Unit Premium Reserves	3,414.38
2.2	Unrealised Appreciation Reserve	57.81
2.3	Other Reserves	42,905.01
3	Loans & Borrowings	–
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	–
4.2	Other Current Liabilities & Provisions	197.02
	TOTAL	83,534.81
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	–
1.1.2	Preference Shares	–
1.1.3	Equity Linked Debentures	–
1.1.4	Other Debentures & Bonds	73,742.32
1.1.5	Securitised Debt Securities	–
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	–
1.2.2	Preference Shares	–
1.2.3	Equity Linked Debentures	–
1.2.4	Other Debentures & Bonds	–
1.2.5	Securitised Debt Securities	–
1.3	Unlisted Securities:	
1.3.1	Equity Shares	–
1.3.2	Preference Shares	–
1.3.3	Equity Linked Debentures	–
1.3.4	Other Debentures & Bonds	–
1.3.5	Securitised Debt Securities	–
1.4	Government Securities	3,901.15
1.5	Treasury Bills	–
1.6	Commercial Paper	–
1.7	Certificate of Deposits	2,614.33
1.8	Bill Rediscounting	–
1.9	Units of Domestic Mutual Fund	–
1.10	Foreign Securities	–
	Total Investments	80,257.80
2	Deposits	18.03
3	Other Current Assets	
3.1	Cash & Bank Balance	0.47
3.2	TREPS/Reverse Repo Lending	150.60
3.3	Others	3,107.03
4	Deferred Revenue Expenditure (to the extent not written off)	–
	TOTAL	83,534.81

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	-	-
1.2 Interest	4,231.49	8,740.80
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	695.42	(1,119.66)
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	-	-
(A)	4,926.91	7,621.14
2 EXPENSES		
2.1 Management Fees	312.21	602.15
2.2 GST on Management Fees	56.20	108.39
2.3 Transfer Agents Fees and Expenses	20.83	45.01
2.4 Custodian Fees	3.32	6.80
2.5 Trusteeship Fees	0.59	1.79
2.6 Commission to Agents	217.80	394.60
2.7 Marketing & Distribution Expenses	0.22	-
2.8 Audit Fees	0.74	1.32
2.9 Investor Education Expenses	11.38	22.16
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	4.48	12.01
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	(0.03)
(B)	627.77	1,194.20
3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B)	4,299.14	6,426.94
4 Change in Unrealised Depreciation in Value of Investments [Refer Note 11(I, II, III)]	(D) (6,660.00)	329.75
5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D)	(2,360.86)	6,756.69
6 Change in Unrealised Appreciation in Value of Investments	(F) (57.81)	(73.39)
7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F)	(2,418.67)	6,683.30
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	57.81	73.39
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3 Add/(Less) : Equalisation	(22,607.76)	(31,709.37)
7.4 Transfer from Reserve Fund	42,905.01	69,066.41
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	17,936.39	44,113.73
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(132.66)	(866.80)
9.2 Tax on Income Distributed during the Year	(51.66)	(341.92)
10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet	17,752.07	42,905.01

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Growth Option	30.3242	28.4170
Regular Dividend Option	-	-
Regular Quarterly Dividend Option	10.5863	-
Regular Weekly Dividend Option	10.2210	10.2049
Regular Monthly Dividend Option	11.2490	11.1713
Institutional Weekly Dividend Option	-	-
Institutional Plus Growth Option	-	-
Direct Plan - Growth Option	32.0655	29.7648
Direct Plan - Weekly Dividend Option	10.2461	10.2299
Direct Plan - Monthly Dividend Option	12.4146	12.0248
Direct Plan - Quarterly Dividend Option	-	10.1781
High		
Regular Growth Option	30.6449	30.3127
Regular Quarterly Dividend Option	10.6983	10.5823
Regular Weekly Dividend Option	10.2480	10.2381
Regular Monthly Dividend Option	11.3250	11.3011
Institutional Weekly Dividend Option	-	-
Institutional Plus Growth Option	-	-
Direct Plan - Growth Option	32.4586	32.0517
Direct Plan - Weekly Dividend Option	10.2738	10.2637
Direct Plan - Monthly Dividend Option	12.5664	12.4093
Direct Plan - Quarterly Dividend Option	-	-
Low		
Regular Growth Option	28.0226	28.2942
Regular Quarterly Dividend Option	9.7828	10.0076
Regular Weekly Dividend Option	9.3359	10.1199
Regular Monthly Dividend Option	10.2765	11.0754
Institutional Weekly Dividend Option	-	-
Institutional Plus Growth Option	-	-
Direct Plan - Growth Option	29.6864	29.6726
Direct Plan - Weekly Dividend Option	9.3608	10.1535
Direct Plan - Monthly Dividend Option	11.4931	11.9875
Direct Plan - Quarterly Dividend Option	-	-
End		
Regular Growth Option	29.9345	30.3242
Regular Quarterly Dividend Option	10.4504	10.5863

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Regular Weekly Dividend Option	9.9730	10.2210
Regular Monthly Dividend Option	10.9778	11.2490
Direct Plan - Growth Option	31.9560	32.0655
Direct Plan - Weekly Dividend Option	10.0763	10.2461
Direct Plan - Monthly Dividend Option	12.3702	12.4146
Direct Plan - Quarterly Dividend Option	-	-
2. Closing Assets Under Management (Rs. in Lakhs)		
End	32,467	83,338
Average (AAuM) ¹	56,890	110,812
3. Gross income as % of AAuM ²	8.66%	6.88%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	1.29%	1.30%
Direct Plan - Growth Option	0.34%	0.35%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.63%	0.54%
Direct Plan - Growth Option	0.23%	0.54%
5. Net Income as a percentage of AAuM ³	7.56%	5.80%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Weekly Dividend Option	0.0857	0.4660
Regular Quarterly Dividend Option	-	-
Regular Monthly Dividend Option	0.0932	0.4677
Institutional Weekly Dividend Option	-	-
Direct Plan - Weekly Dividend Option	0.0979	0.5371
Direct Plan - Monthly Dividend Option	-	0.3767
Direct Plan - Quarterly Dividend Option	-	0.1585
Corporate		
Regular Weekly Dividend Option	0.0793	0.4315
Regular Quarterly Dividend Option	-	-
Regular Monthly Dividend Option	0.0863	0.4331
Institutional Weekly Dividend Option	-	-
Direct Plan - Weekly Dividend Option	0.0906	0.4973
Direct Plan - Monthly Dividend Option	-	0.3488
Direct Plan - Quarterly Dividend Option	-	0.1467

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option	(1.2400)	6.7065
Institutional Plus Growth Option	N.A.	N.A.
Direct Plan - Growth Option	(0.3000)	7.7246
Benchmark		
CRISIL Short-Term Bond Fund Index	9.7800	7.5500
b. Since Inception		
Scheme		
Regular Growth Option	6.5400	7.0361
Institutional Plus Growth Option	N.A.	N.A.
Direct Plan - Growth Option	7.2400	8.5139
Benchmark		
CRISIL Short-Term Bond Fund Index	7.3000	7.1500

1. AAuM = Average daily net assets.
2. Gross income = amount against (A) in the Revenue account i.e. Income.
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:-

- 1.1. It is confirmed that investments of the scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds/ Debentures	-	-	-	740,203,250
	Equities	-	-	-	194,922,114
Bharti Airtel Ltd.	Equities	-	594,575,759	-	356,482
Balrampur Chini Mills Ltd.	Equities	-	-	-	17,018,040
Thomas Cook (India) Ltd.	Equities	-	-	-	132,485,094

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 (Ref. Note 11) and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years 2020 and 2019 and their percentages to net assets are as under :

Security Type	March 31, 2020		March 31, 2019	
	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
- Appreciation	38,743,159	1.19	42,017,180	0.50
- Depreciation		6.16	59,401,841	0.71
	199,879,520			
Certificate of Deposits				
- Appreciation	-	-	762,492	0.01
- Depreciation	-	-	-	-
Government Securities				
- Appreciation	-	-	5,018,843	0.06
- Depreciation	-	-	-	-

- 1.7. The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 6,162,041,296 and Rs. 11,174,466,636 respectively being 108.31% and 196.42% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-19 (excluding accretion of discount) are Rs. 21,850,356,335 and Rs. 27,607,780,267 respectively being 197.18% and 249.14% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets are as under:

Security Category	Fair Value (Rupees)	% to Net Assets	Fair Value (Rupees)	% to Net Assets
	2020		2019	
Debt Instruments	2,475,916,444	76.26%	7,374,231,635	88.49%
Money Market Instruments	–	–	261,433,190	3.14%
Total	2,475,916,444	76.26%	7,635,664,825	91.62%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 As Amended.

During the year 2019-20, The Hong Kong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges are Nil.

During the year 2018-19, The Hong Kong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges are Nil.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2019-2020	16.65	22.97	15,043,909.20	76.05

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2018-2019	90.60	29.00	24,826,866.10	71.81

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL. (Previous year also NIL).

The brokerage paid was at rates similar to those offered to other brokers/distributors. The Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Further, The Hong Kong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.- Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets as at the years ended on March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Monthly Dividend Option	59,182,456.278	3,009,629.624	35,327,232.445	26,864,853.457	10
Regular Growth Option	180,319,972.767	13,403,487.845	129,596,101.932	64,127,358.680	10
Regular Quarterly Option	37,576.278	8,798.106	42,965.176	3,409.208	10
Regular Weekly Dividend Option	88,745,837.140	5,027,397.615	79,083,001.041	14,690,233.714	10
Direct Plan - Growth Option	39,833,623.566	3,649,997.385	16,080,237.981	27,403,382.970	10
Direct Plan - Monthly Dividend Option	1,072.989	2,203.116	2,042.031	1,234.074	10
Direct Plan - Weekly Dividend Option	1,485,385.795	13,770.200	1,034,904.051	464,252.344	10

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Dividend Option	154,337,161.706	9,236,060.995	104,390,766.423	59,182,456.278	10
Regular Growth Option	271,972,751.038	80,151,213.296	171,803,991.567	180,319,972.767	10
Regular Quarterly Option	-	40,076.278	2,500.000	37,576.278	10
Regular Weekly Dividend Option	104,007,934.123	26,589,529.130	41,851,626.113	88,745,837.140	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Direct Plan - Growth Option	121,319,346.846	2,170,767.899	83,656,491.179	39,833,623.566	10
Direct Plan - Dividend Option	101,079.056	394,911.158	494,917.225	1,072.989	10
Direct Plan - Weekly Dividend Option	5,717,462.763	3,460,622.133	7,692,699.101	1,485,385.795	10
Direct Plan - Quarterly Dividend Option	152,334.932	1,558.235	153,893.167	–	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 210,860.141 & as on March 31, 2019 is 210,860.141.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

- 6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

- 7 Expenses other than Management Fees are Inclusive of GST where applicable.

- 8 Other Income is Rs. 47/- Interest recd on printing & stationery bill paid by scheme instead off AMC -EXP represents Exit load (net of GST) credited to the scheme is Nil (2019:Nil).

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

10 Garnishee Notice from Income Tax Authorities

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores.

Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year.

Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT.

The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th Feb 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter was scheduled on April 17, 2020. However, due to the COVID 19 pandemic situation, the hearing scheduled on 17th April 2020 is getting auto adjourned.

11 I) Hair Cut in valuation & interest during the year in security rated below Investment Grade or Default

Scheme name	Name of the security	ISIN	Hair cut in valuation (A)	Hair cut in interest accrued #	Total Hair cut during the half Year (A+B)
HSBC Short Duration Fund	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	1,578.67	–	1,578.67

II) Securities in default beyond its maturity date

Scheme name	HSBC Short Duration Fund	HSBC Short Duration Fund	Total
Name of the security	9.10% DEWAN HSG FIN NCD RED 16-08-2019	9.05% DEWAN HSG FIN NCD RED 09-09-2019	
ISIN	INE202B07HQ0	INE202B07IJ3	
Value (in absolute terms) of the security considered under net receivables / current assets	1,341.00	399.83	1,740.83
Value (in % terms) of the security considered under net receivables/ current assets *	4.13%	1.23%	5.36%
Principal amount due to the scheme	5,000.00	1,500.00	6,500.00
Interest amount due to the scheme #	364.00	99.30	463.30
Total amount due to the scheme (Rs. Lakhs)	5,364.00	1,599.30	6,963.30
75 % Provision (Principal + Interest)	4,023.00	1,199.48	5,222.48

Pursuant to the admission of the resolution process at the National Company Law Tribunal (NCLT), a Committee of Creditors was formed and the resolution process is underway. However, due to the

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed. Hence, given that recovery of proceeds is difficult to estimate, these NCDs were further marked down from 75% to 100% and has been valued at zero with effect from May 8, 2020. These securities were subsequently sold on 6th July 2020 for an aggregate value of INR 1459.24 Lakhs.

Interest Accrual was stopped from 04th June 2019

* For calculation of Value (in % terms), AUM as on 31 Mar 2020 has been considered.

III) Below investment grade or default security as of March 31, 2020

Scheme Name	Name of the Issuer	ISIN	Rating	Principal Amount	Market Value (Rs in Lakhs)	% to Net Assets *
HSBC Short Duration Fund	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	CARE D	2,500	500.18	1.54%

On 8th May 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

* For calculation of % to Net Assets, AUM as on 31 Mar 2020 has been considered.

- 12 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Cash Fund

An Open ended Liquid Scheme

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and cursive.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Cash Fund (HCF)

(An open-ended Liquid Scheme)

HCF seeks to provide reasonable returns, commensurate with low risk while providing a high level of liquidity, through a portfolio of money market and debt securities. However, there can be no assurance that the Scheme's objective can be realised.

The net assets of HCF amounted to Rs. 3,833.30 crores as at March 31, 2020 as compared to Rs. 3630.67 crores as at March 31, 2019. The entire net asset remains invested in debt and money market instruments including reverse repos/TREPS as at March 31, 2020.

HCF performed marginally lower than its benchmark for FY 2019-2020 due to conservative investments.

Scheme Name & Benchmarks	Simple Annualized Returns (%)				Compounded Annualized Returns (%)		
	Last 7 Days as on 31 March 2020	Last 15 Days as on 31 March 2020	Last 30 Days as on 31 March 2020	1 Year	3 Years	5 Years	Since Inception
Date of Inception : 4 December, 2002							
HSBC Cash Fund – Growth	24.72	4.93	4.91	6.08	6.79	7.14	7.94
Crisil Liquid Fund Index (Scheme Benchmark)	18.70	6.08	5.84	6.37	6.95	7.20	7.90
Crisil 91 Day T-Bill Index (Standard Benchmark)	17.01	8.95	7.52	6.23	6.56	6.84	7.51
Rs. 10,000, if invested in HCF, would have become	10,047	10,020	10,040	10,613	12,181	14,123	19,700
Rs. 10,000, if invested in Crisil Liquid Fund Index, would have become	10,036	10,025	10,048	10,642	12,236	14,162	19,635
Rs. 10,000, if invested in Crisil 91 Day T-Bill Index, would have become	10,033	10,037	10,062	10,628	12,102	13,926	19,014

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2020 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, e-commerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability,

Trustees' Report

For the year ended March 31, 2020 (Contd...)

immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Cash Fund	5,182.84	2	81,544.89	8

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2020 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and

Trustees' Report

For the year ended March 31, 2020 (Contd...)

136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Cash Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Cash Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that

Independent Auditors' Report (Contd...)

is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
3. As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	245,592.91
	217,129.00	
2	Reserves & Surplus	
2.1	Unit Premium Reserves	1,288.55
2.2	Unrealised Appreciation Reserve	169.91
2.3	Other Reserves	116,015.85
	164,945.21	
3	Loans & Borrowings	–
4	Current Liabilities & Provisions	–
4.1	Provision for Doubtful Income/Deposits	–
4.2	Other Current Liabilities & Provisions	58,705.61
	1,168.25	
	384,504.57	421,772.83
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	–
1.1.2	Preference Shares	–
1.1.3	Equity Linked Debentures	–
1.1.4	Other Debentures & Bonds	5,012.22
1.1.5	Securitised Debt Securities	–
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	–
1.2.2	Preference Shares	–
1.2.3	Equity Linked Debentures	–
1.2.4	Other Debentures & Bonds	–
1.2.5	Securitised Debt Securities	–
1.3	Unlisted Securities:	
1.3.1	Equity Shares	–
1.3.2	Preference Shares	–
1.3.3	Equity Linked Debentures	–
1.3.4	Other Debentures & Bonds	–
1.3.5	Securitised Debt Securities	–
1.4	Government Securities	–
1.5	Treasury Bills	–
1.6	Commercial Paper	252,373.98
1.7	Certificate of Deposits	165,947.41
1.8	Bill Rediscounting	–
1.9	Units of Domestic Mutual Fund	–
1.10	Foreign Securities	–
	342,587.39	418,321.39
2	Deposits	172.98
	19.06	
3	Other Current Assets	
3.1	Cash & Bank Balance	14.38
3.2	TREPS/Reverse Repo Lending	3,260.10
3.3	Others	3.98
	339.96	
4	Deferred Revenue Expenditure (to the extent not written off)	–
	384,504.57	421,772.83

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	-	-
1.2 Interest	36,386.07	41,185.29
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	(63.69)	(17.44)
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	5.19	1.71
	(A) 36,327.57	41,169.56
2 EXPENSES		
2.1 Management Fees	409.35	155.90
2.2 GST on Management Fees	73.68	28.06
2.3 Transfer Agents Fees and Expenses	102.53	124.97
2.4 Custodian Fees	14.84	15.29
2.5 Trusteeship Fees	5.39	6.77
2.6 Commission to Agents	70.07	66.58
2.7 Marketing & Distribution Expenses	2.05	-
2.8 Audit Fees	5.55	9.03
2.9 Investor Education Expenses	144.42	139.51
2.10 Interest on Borrowing	72.21	32.89
2.11 Other Operating Expenses	36.05	58.53
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	(0.18)
	(B) 936.14	637.35
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B) 35,391.43	40,532.21
4 Change in Unrealised Depreciation in Value of Investments	(D) (45.48)	-
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D) 35,345.95	40,532.21
6 Change in Unrealised Appreciation in Value of Investments	(F) (169.91)	15.68
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F) 35,176.04	40,547.89
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	169.91	-
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	(15.68)
7.3 Add/(Less) : Equalisation	21,396.85	16,095.93
7.4 Transfer from Reserve Fund	116,015.85	71,895.84
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	172,758.65	128,523.98
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(5,368.13)	(8,540.49)
9.2 Tax on Income Distributed during the Year	(2,445.31)	(3,967.64)
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	164,945.21	116,015.85

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Growth Option #	2,756.9283	2,586.1945
Regular Daily Dividend Option #	1,019.6575	1,019.8252
Regular Weekly Dividend Option #	1,002.9750	1,002.6960
Institutional Growth Option #	–	2,721.8046
Institutional Daily Dividend Option ^	1,375.0971	1,281.5438
Institutional Plus Growth Option ^	1,856.4117	1,726.5340
Institutional Plus Daily Dividend Option ^	1,001.3031	1,001.2566
Institutional Plus Weekly Dividend Option ^	1,112.1852	1,111.8487
Institutional Plus Monthly Dividend Option ^	1,002.1446	1,001.6750
Direct Plan - Growth Option	1,862.3266	1,730.9962
Direct Plan - Daily Dividend Option	1,001.2493	1,001.2398
Direct Plan - Weekly Dividend Option	1,121.2660	1,111.8585
Direct Plan - Monthly Dividend Option	1,039.6886	1,027.1622
Unclaimed Dividend less than 3 yrs	1,216.5727	1,135.5397
Unclaimed Dividend more than 3 yrs	1,000.3782	1,000.5564
Unclaimed Redemption less than 3 yrs	1,216.5727	1,135.5397
Unclaimed Redemption more than 3 yrs	1,000.3782	1,000.5564
High		
Regular Growth Option #	2,901.3056	2,755.9616
Regular Daily Dividend Option #	1,019.3000	1,019.3000
Regular Weekly Dividend Option #	1,003.3808	1,003.2078
Institutional Growth Option #	–	–
Institutional Daily Dividend Option #	1,456.5378	1,374.5659
Institutional Plus Growth Option ^	1,969.4131	1,855.6733
Institutional Plus Daily Dividend Option ^	1,000.9969	1,000.9048
Institutional Plus Weekly Dividend Option ^	1,112.7068	1,112.4948
Institutional Plus Monthly Dividend Option ^	1,007.0469	1,007.0105
Direct Plan - Growth Option	1,977.4898	1,861.5797
Direct Plan - Daily Dividend Option	1,000.9401	1,000.8477
Direct Plan - Weekly Dividend Option	1,124.9161	1,121.1168
Direct Plan - Monthly Dividend Option	1,044.7143	1,044.7817
Unclaimed Dividend less than 3 yrs	1,286.7035	1,216.1128
Unclaimed Dividend more than 3 yrs	1,000.0000	1,000.0000
Unclaimed Redemption less than 3 yrs	1,286.7035	1,216.1128
Unclaimed Redemption more than 3 yrs	1,000.0000	1,000.0000

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Low		
Regular Growth Option #	2,757.4120	2,587.0834
Regular Daily Dividend Option #	1,016.3625	1,019.3000
Regular Weekly Dividend Option #	998.6777	1,001.7048
Institutional Growth Option #	-	-
Institutional Daily Dividend Option #	1,375.3629	1,282.0305
Institutional Plus Growth Option ^	1,856.7810	1,727.2089
Institutional Plus Daily Dividend Option ^	998.2622	1,000.6702
Institutional Plus Weekly Dividend Option ^	1,107.4561	1,110.6722
Institutional Plus Monthly Dividend Option ^	1,000.7665	1,000.6047
Direct Plan - Growth Option	1,862.7002	1,731.6785
Direct Plan - Daily Dividend Option	998.2255	1,000.6485
Direct Plan - Weekly Dividend Option	1,119.5856	1,110.6752
Direct Plan - Monthly Dividend Option	1,037.9233	1,027.5671
Unclaimed Dividend less than 3 yrs	1,216.8028	1,135.9612
Unclaimed Dividend more than 3 yrs	997.2135	1,000.0000
Unclaimed Redemption less than 3 yrs	1,216.8028	1,135.9612
Unclaimed Redemption more than 3 yrs	997.2135	1,000.0000
End		
Regular Growth Option #	2,901.3056	2,756.9283
Regular Daily Dividend Option #	1,019.3000	1,019.6575
Regular Weekly Dividend Option #	1,003.2619	1,002.9750
Institutional Growth Option #	-	-
Institutional Daily Dividend Option #	1,456.5378	1,375.0971
Institutional Plus Growth Option ^	1,969.4131	1,856.4117
Institutional Plus Daily Dividend Option ^	1,000.9969	1,001.3031
Institutional Plus Weekly Dividend Option ^	1,112.7068	1,112.1852
Institutional Plus Monthly Dividend Option ^	1,004.8499	1,002.1446
Direct Plan - Growth Option	1,977.4898	1,862.3266
Direct Plan - Daily Dividend Option	1,000.9401	1,001.2493
Direct Plan - Weekly Dividend Option	1,124.9161	1,121.2660
Direct Plan - Monthly Dividend Option	1,042.0896	1,039.6886
Unclaimed Dividend less than 3 yrs	1,286.7035	1,216.5727
Unclaimed Dividend more than 3 yrs	1,000.0000	1,000.3782
Unclaimed Redemption less than 3 yrs	1,286.7035	1,216.5727
Unclaimed Redemption more than 3 yrs	1,000.0000	1,000.3782

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
2. Closing Assets Under Management (Rs. in Lakhs)		
End	383,330	363,067
Average (AAuM) ¹	589,543	558,396
3. Gross income as % of AAuM ²	6.16%	7.37%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan #	1.01%	1.00%
Institutional Plan #	0.36%	0.35%
Institutional Plus Plan ^	0.20%	0.14%
Direct Plan	0.11%	0.08%
Unclaimed	0.51%	0.50%
b. Management Fee as % of AAuM (planwise)		
Regular Plan #	0.06%	0.03%
Institutional Plan #	0.06%	0.03%
Institutional Plus Plan ^	0.10%	0.03%
Direct Plan	0.06%	0.03%
Unclaimed	0.06%	0.03%
5. Net Income as a percentage of AAuM ³	6.00%	7.26%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Daily Dividend Option #	37.7391	47.0652
Regular Weekly Dividend Option #	38.8286	45.9589
Institutional Plus Daily Dividend Option ^	42.8311	52.2533
Institutional Plus Weekly Dividend Option ^	50.7045	57.8183
Institutional Plus Monthly Dividend Option ^	40.7629	52.0918
Direct Plan - Daily Dividend Option	43.4766	52.7117
Direct Plan - Weekly Dividend Option	45.7874	51.8780
Direct Plan - Monthly Dividend Option	43.2409	45.7523
Corporate		
Regular Daily Dividend Option #	34.9466	43.5826
Regular Weekly Dividend Option #	35.9555	42.5582
Institutional Plus Daily Dividend Option ^	39.6617	48.3868
Institutional Plus Weekly Dividend Option ^	46.9526	53.5401
Institutional Plus Monthly Dividend Option ^	37.7466	48.2373
Direct Plan - Daily Dividend Option	40.2595	48.8113

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Weekly Dividend Option	42.3994	48.0393
Direct Plan - Monthly Dividend Option	40.0413	42.3669
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option #	5.2300	6.6006
Institutional Growth Option #	N.A.	N.A.
Institutional Plus Growth Option ^	6.0800	7.5213
Direct Plan - Growth Option	6.1700	7.5858
Benchmark		
CRISIL Liquid Fund Index	6.3700	7.6200
b. Since Inception		
Scheme		
Regular Growth Option #	6.3400	6.4064
Institutional Growth Option #	N.A.	N.A.
Institutional Plus Growth Option ^	7.9400	8.1771
Direct Plan - Growth Option	7.8200	8.0875
Benchmark		
CRISIL Liquid Fund Index	7.9000	8.1000

Plans Discontinued for fresh subscription

^ Institutional Plus plan is (Regular continue Plan) available for fresh subscription w.e.f. October 01, 2012.

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies :

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	-	-	-	740,203,250
	Equities	-	-	-	194,922,114
Bharti Airtel Ltd.	Equities	-	594,575,759	-	356,482
Balrampur Chini Mills Ltd.	Equities	-	-	-	17,018,040
Thomas Cook (India) Ltd.	Equities	-	-	-	132,485,094

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of financial years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years March 31, 2020 and March 31, 2019 are as under:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
- Appreciation	-	-	-	-
- Depreciation	723,500	~0.00	-	-
Certificates of Deposit / Commercial Paper				
- Appreciation	6,448,520	0.02	19,422,195	0.05
- Depreciation	10,272,970	0.03	2,431,285	~0.01

~ Indicates less than 0.01

- 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 450,665,811,711 and Rs. 461,634,046,051 respectively being 764.43% and 783.04% of the average daily net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-19 (excluding accretion of discount)

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

are Rs. 497,131,119,076 and Rs. 486,766,479,893 respectively being 890.28% and 871.72% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is as under

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Debt Instruments	501,222,500	1.31%	–	–
Money Market Instruments	30,266,814,960	78.96%	41,832,139,284	115.22%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	1,125.66	0.83	2,879,357	47.01

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	1,859.30	0.79	2,545,172	42.22

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL. (Previous year also NIL)

The brokerage paid was at rates similar to those offered to other distributors. The Commission / Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
- (ii) Devolvement - Nil. (Previous year also Nil)

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option	10,308.690	–	708.955	9,599.735	1,000
Regular Daily Dividend Option	62,560.598	–	13,158.972	49,401.626	1,000
Regular Weekly Dividend Option	37,399.791		1,406.352	35,993.439	1,000
Institutional Growth Option	–	–	–	–	1,000
Institutional Daily Dividend Option	38.218	–	–	38.218	1,000
Institutional Plus Growth Option	8,033,845.312	44,558,629.290	46,979,029.931	5,613,444.671	1,000
Institutional Plus Daily Dividend Option	4,294,288.767	5,816,362.357	7,809,927.374	2,300,723.750	1,000
Institutional Plus Weekly Dividend Option	436,745.443	1,590,272.137	1,774,499.173	252,518.407	1,000
Institutional Plus Monthly Dividend Option	364,758.553	418,885.585	569,385.732	214,258.406	1,000
Direct Plan - Growth Option	5,538,220.212	612,903,705.108	607,065,725.436	11,376,199.884	1,000
Direct Plan - Daily Dividend Option	5,681,394.348	97,299,978.076	101,198,848.793	1,782,523.631	1,000
Direct Plan - Weekly Dividend Option	27,866.581	180,090.414	207,484.528	472.467	1,000
Direct Plan - Monthly Dividend Option	1,736.803	176,522.048	176,011.869	2,246.982	1,000
Unclaimed Plan-Dividend less than 3 years	15,372.898	6,597.032	6,228.432	15,741.498	1,000

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Unclaimed Plan-Dividend more than 3 years	16,112.940	4,149.201	1,553.344	18,708.797	1,000
Unclaimed Plan-Redemption less than 3 years	12,306.719	8,171.236	10,624.140	9,853.815	1,000
Unclaimed Plan-Redemption more than 3 years	26,334.770	5,790.281	950.192	31,174.859	1,000

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option	11,234.029	–	925.339	10,308.690	1,000
Regular Daily Dividend Option	69,437.978	–	6,877.380	62,560.598	1,000
Regular Weekly Dividend Option	37,660.246	–	260.455	37,399.791	1,000
Institutional Growth Option	3,205.025	–	3,205.025	–	1,000
Institutional Daily Dividend Option	38.218	–	–	38.218	1,000
Institutional Plus Growth Option	3,734,694.097	138,211,315.547	133,912,164.332	8,033,845.312	1,000
Institutional Plus Daily Dividend Option	2,570,953.764	12,056,150.660	10,332,815.657	4,294,288.767	1,000
Institutional Plus Weekly Dividend Option	153,168.524	958,060.719	674,483.800	436,745.443	1,000
Institutional Plus Monthly Dividend Option	185,057.913	475,922.123	296,221.483	364,758.553	1,000
Direct Plan - Growth Option	6,287,752.545	1,123,061,490.853	1,123,811,023.186	5,538,220.212	1,000
Direct Plan - Daily Dividend Option	7,179,851.087	74,684,465.400	76,182,922.139	5,681,394.348	1,000
Direct Plan - Weekly Dividend Option	225,022.855	28,689.756	225,846.030	27,866.581	1,000

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Direct Plan - Monthly Dividend Option	701.744	398,456.784	397,421.725	1,736.803	1,000
Unclaimed Plan-Dividend less than 3 years	12,777.046	8,937.738	6,341.886	15,372.898	1,000
Unclaimed Plan-Dividend more than 3 years	14,570.169	2,820.314	1,277.543	16,112.940	1,000
Unclaimed Plan-Redemption less than 3 years	15,907.660	7,081.486	10,682.427	12,306.719	1,000
Unclaimed Plan-Redemption more than 3 years	22,787.857	5,800.282	2,253.369	26,334.770	1,000

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 472,072.660 & as on March 31, 2019 is 402,564.494

5 Previous year's figures have been re-grouped / re-arranged where appropriate

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Other Income :- Rs. 518,543 represents compensation paid by AMC (2019: 170,539).

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020****10 Borrowings**

Details of Outstanding Borrowing Liability are as follows: -

March 31, 2020				
Name of the Scheme	Date of Borrowing	Amount Borrowed (INR crores)	Rate of Interest	Source
HSBC Cash Fund	18-Apr-19	250.36	6.00%	Borrowing in TREPS Segment
HSBC Cash Fund	02-May-19	122.13	5.73%	Borrowing in TREPS Segment
HSBC Cash Fund	22-May-19	175.42	5.93%	Borrowing in TREPS Segment
HSBC Cash Fund	28-Jun-19	280.06	5.94%	Borrowing in TREPS Segment
HSBC Cash Fund	11-Jul-19	238.56	5.58%	Borrowing in TREPS Segment
HSBC Cash Fund	31-Jul-19	129.88	5.63%	Borrowing in TREPS Segment
HSBC Cash Fund	31-Dec-19	219.17	4.60%	Borrowing in TREPS Segment
HSBC Cash Fund	14-Feb-20	478.05	5.10%	Borrowing in TREPS Segment
HSBC Cash Fund	17-Feb-20	271.96	4.75%	Borrowing in TREPS Segment
HSBC Cash Fund	19-Mar-20	193.85	6.06%	Borrowed from Bank
HSBC Cash Fund	26-Mar-20	96.65	7.95%	Borrowed from Bank

As per Regulation 44(2) of SEBI (Mutual Funds) Regulations, 1996, mutual funds are permitted to borrow only to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of dividend etc. AMFI vide its Best Practice guidelines circular no. 71/2017-18 dated Mar 23, 2018 recommended that cost of borrowing made to manage redemptions to the extent of YTM/running yield of the fund as on previous day should be charged to the scheme and any excess cost over YTM/running yield of the previous day may be borne by the AMC. Accordingly AMC has borne Rs 1,00,377/-.

HSBC Mutual fund has adhered to the recommended practice from the date of the AMFI circular.

March 31, 2019				
Name of the Scheme	Date of Borrowing	Amount Borrowed (INR crores)	Rate of Interest	Source
HSBC Cash Fund	27-Mar-18	310.75	8.15%	Borrowed from Bank (borrowing repaid in current financial year)
HSBC Cash Fund	29-Jun-18	207.65	7.12%	Borrowed from Bank
HSBC Cash Fund	26-Jul-18	208.66	6.22%	Borrowing in TREPS Segment
HSBC Cash Fund	01-Aug-18	121.48	6.05%	Borrowing in TREPS Segment
HSBC Cash Fund	28-Sep-18	161.13	1.69%	Borrowing in TREPS Segment
HSBC Cash Fund	27-Mar-19	120.80	8.25%	Borrowed from Bank

As per Regulation 44(2) of SEBI (Mutual Funds) Regulations, 1996, mutual funds are permitted to borrow only to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of dividend etc. AMFI vide its Best Practice guidelines circular no. 71/2017-18 dated Mar 23, 2018 recommended that cost of borrowing made to manage redemptions to the extent of YTM/running yield of the fund as on previous day should be charged to the scheme and any excess cost over YTM/running yield of the previous day may be borne by the AMC. Accordingly AMC has borne Rs 5,09,682/-

HSBC Mutual fund has adhered to the recommended practice from the date of the AMFI circular.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

11 Garnishee Notice from Income Tax Authorities

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores.

Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year.

Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT.

The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th Feb 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter was scheduled on April 17, 2020. However, due to the COVID 19 pandemic situation, the hearing scheduled on 17th April 2020 is getting auto adjourned.

- 12 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Low Duration Fund

An open ended low duration debt Scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Low Duration Fund (HLDF)

(An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months)

HLDF seeks to provide liquidity and reasonable returns by investing primarily in a mix of debt and money market instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HLDF amounted to Rs. 128.30 crores as at March 31, 2020 compared to Rs. 332.89 crores as at March 31, 2019. Around 80.86% of the net assets were invested in debt and money market instruments and 19.14% comprised of reverse repos/TREPS and net current assets as at March 31, 2020

HLDF underperformed its scheme's benchmark. One of scheme's exposure (Dewan Housing Finance Corporation Ltd) has been downgraded to "D" from 'BBB-'. Scheme written off 75% of the interest accrued till 3rd June 2019 and have also written off principal by 75%, resulting in underperformance.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)			
		1 Year	3 Years	5 Years	Since Inception
Date of Inception : 17 October 2006					
HSBC Low Duration Fund - Growth	-3.64	3.12	4.90	6.24	
CRISIL Low Duration Debt Index (Scheme Benchmark)*	8.07	7.67	8.09	8.54	
CRISIL 1 Year T-Bill Index (Standard Benchmark)	7.44	6.91	7.11	7.22	
10,000, if invested in HLDF, would have become	9,633	10,966	12,705	15,747	
10,000, if invested in CRISIL Low Duration Debt Index, would have become	10,814	12,485	14,761	18,492	
10,000, if invested in CRISIL 1 Year T-Bill Index, would have become	10,750	12,222	14,103	16,870	

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2020 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, e-commerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability,

Trustees' Report

For the year ended March 31, 2020 (Contd...)

immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Low Duration Fund	45,600.05	29	98,861.84	10

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2020 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and

Trustees' Report

For the year ended March 31, 2020 (Contd...)

136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Low Duration Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Low Duration Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net deficit for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that

Independent Auditors' Report (Contd...)

is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
3. As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	27,204.96
	11,007.11	
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(42.45)
2.2	Unrealised Appreciation Reserve	42.96
2.3	Other Reserves	6,083.51
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	112.04
	105.42	
	12,934.35	33,401.02
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	20,359.80
1.1.5	Securitized Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitized Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitized Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	12,175.44
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	6,067.22	
	10,373.99	32,535.24
2	Deposits	21.32
	1.50	
3	Other Current Assets	
3.1	Cash & Bank Balance	0.27
3.2	TREPS / Reverse Repo Lending	190.41
3.3	Others	653.78
4	Deferred Revenue Expenditure (to the extent not written off)	-
	1,203.24	
	12,934.35	33,401.02

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	–	–
1.2 Interest	1,547.90	3,944.47
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	–	–
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	–	–
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	152.48	(222.95)
1.6 Realised Gains/(Losses) on Derivative Transactions	–	–
1.7 Other Income	1.82	–
(A)	1,702.20	3,721.52
2 EXPENSES		
2.1 Management Fees	98.10	193.77
2.2 GST on Management Fees	17.66	34.88
2.3 Transfer Agents Fees and Expenses	8.02	20.59
2.4 Custodian Fees	1.35	3.28
2.5 Trusteeship Fees	0.22	0.61
2.6 Commission to Agents	68.19	159.37
2.7 Marketing & Distribution Expenses	0.11	0.25
2.8 Audit Fees	0.29	0.58
2.9 Investor Education Expenses	4.38	10.07
2.10 Interest on Borrowing	–	–
2.11 Other Operating Expenses	2.23	6.17
2.12 Less : Expenses to be Reimbursed by the Investment Manager	–	(0.01)
(B)	200.55	429.56
3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B)	1501.65	3,291.96
4 Change in Unrealised Depreciation in Value of Investments (Refer Note 11)	(D) (2,779.26)	38.28
5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D)	(1,277.61)	3,330.24
6 Change in Unrealised Appreciation in Value of Investments	(F) 5.61	(10.21)
7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F)	(1,272.00)	3,320.03
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	–	10.21
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	(5.61)	–
7.3 Add/(Less) : Equalisation	(2,708.02)	(3,507.05)
7.4 Transfer from Reserve Fund	6,083.51	7,943.23
7.5 Transfer from Unit Premium Reserve	–	–
8 Total	2,097.88	7,766.42
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(152.20)	(1,189.58)
9.2 Tax on Income Distributed during the Year	(63.04)	(493.33)
10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet	1,882.64	6,083.51

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Growth Option #	23.6148	22.1193
Regular Daily Dividend Option #	10.0070	10.0083
Regular Weekly Dividend Option #	10.0282	10.0184
Institutional Growth Option ^	16.3481	15.2668
Institutional Daily Dividend Option ^	10.0557	10.0571
Institutional Weekly Dividend Option ^	10.0532	10.0670
Institutional Monthly Dividend Option ^	10.1577	10.1563
Institutional Plus Daily Dividend Option	18.6771	17.3116
Direct Plan - Growth Option	17.1004	15.8422
Direct Plan - Daily Dividend Option	10.0889	10.0906
Direct Plan - Weekly Dividend Option	10.1029	10.1180
Direct Plan - Monthly Dividend Option	10.3626	10.3609
High		
Regular Growth Option #	23.8736	23.6062
Regular Daily Dividend Option #	10.0033	10.0033
Regular Weekly Dividend Option #	10.0405	10.0268
Institutional Growth Option ^	16.5359	16.3418
Institutional Daily Dividend Option ^	10.0519	10.0519
Institutional Weekly Dividend Option ^	10.0684	10.0757
Institutional Monthly Dividend Option ^	10.1962	10.2056
Institutional Plus Daily Dividend Option	18.9165	18.6692
Direct Plan - Growth Option	17.3211	17.0931
Direct Plan - Daily Dividend Option	10.0846	10.0846
Direct Plan - Weekly Dividend Option	10.1160	10.1274
Direct Plan - Monthly Dividend Option	10.4078	10.4169
Low		
Regular Growth Option #	21.6293	22.1378
Regular Daily Dividend Option #	9.0629	9.9876
Regular Weekly Dividend Option #	9.0786	9.9854
Institutional Growth Option ^	14.9815	15.2800
Institutional Daily Dividend Option ^	9.1070	10.0365
Institutional Weekly Dividend Option ^	9.1194	10.0139
Institutional Monthly Dividend Option ^	9.1963	10.1236
Institutional Plus Daily Dividend Option	17.1387	17.3275
Direct Plan - Growth Option	15.6933	15.8569
Direct Plan - Daily Dividend Option	9.1368	10.0701
Direct Plan - Weekly Dividend Option	9.1467	10.0696
Direct Plan - Monthly Dividend Option	9.3822	10.3269

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
End		
Regular Growth Option #	22.6722	23.6148
Regular Daily Dividend Option #	9.4999	10.0070
Regular Weekly Dividend Option #	9.5163	10.0282
Institutional Growth Option ^	15.7429	16.3481
Institutional Daily Dividend Option ^	9.5697	10.0557
Institutional Weekly Dividend Option ^	9.5828	10.0532
Institutional Monthly Dividend Option ^	9.6637	10.1577
Institutional Plus Daily Dividend Option	10.0000	18.6771
Direct Plan - Growth Option	16.6003	17.1004
Direct Plan - Daily Dividend Option	9.6644	10.0889
Direct Plan - Weekly Dividend Option	9.6749	10.1029
Direct Plan - Monthly Dividend Option	9.9240	10.3626
2. Closing Assets Under Management (Rs. in Lakhs)		
End	12,830	33,289
Average (AAuM) ¹	21,916	50,354
3. Gross income as % of AAuM ²	7.77%	7.39%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option #	1.32%	1.34%
Institutional Growth Option ^	1.02%	1.04%
Institutional Plus Growth Option	0.27%	0.29%
Direct Plan - Growth Option	0.22%	0.24%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option #	0.13%	0.38%
Institutional Growth Option ^	0.51%	0.38%
Institutional Plus Growth Option	0.10%	0.38%
Direct Plan - Growth Option	0.12%	0.38%
5. Net Income as a percentage of AAuM ³	6.85%	6.54%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Daily Dividend Option #	0.0812	0.4725
Regular Weekly Dividend Option #	0.0841	0.4647
Institutional Daily Dividend Option ^	0.0855	0.4967
Institutional Weekly Dividend Option ^	0.0738	0.5048
Institutional Monthly Dividend Option ^	0.0888	0.4999
Direct Plan - Daily Dividend Option	0.0963	0.5565

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Weekly Dividend Option	0.0985	0.5664
Direct Plan - Monthly Dividend Option	0.1009	0.5695
Corporate		
Regular Daily Dividend Option #	0.0752	0.4375
Regular Weekly Dividend Option #	0.0779	0.4304
Institutional Daily Dividend Option ^	0.0792	0.4598
Institutional Weekly Dividend Option ^	0.0684	0.4674
Institutional Monthly Dividend Option ^	0.0822	0.4629
Direct Plan - Daily Dividend Option	0.0892	0.5153
Direct Plan - Weekly Dividend Option	0.0912	0.5245
Direct Plan - Monthly Dividend Option	0.0934	0.5273
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option #	(3.9200)	6.7566
Institutional Growth Option ^	(3.6400)	7.0782
Direct Plan - Growth Option	(2.8600)	7.9368
Benchmark		
CRISIL Low Duration Debt Index	8.0700	8.1670
b. Since Inception		
Scheme		
Regular Growth Option #	6.2700	7.1397
Institutional Growth Option ^	6.2400	7.8574
Direct Plan - Growth Option	6.9100	8.6406
Benchmark		
CRISIL Low Duration Debt Index	8.5400	8.6100

Plans Discontinued for fresh subscription

^ Institutional plan is (Regular continue Plan) available for fresh subscription w.e.f. October 01, 2012.

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies as of years ended March 31, 2020 and March 31, 2019:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	592,776,500	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of financial years ended 2020 and 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial years March 31, 2020 and March 31, 2019 are as under :

Company Name	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Certificate of Deposit / Commercial Paper				
- Appreciation	740,838	0.06	4,296,182	0.13
- Depreciation	2,297,076	0.18	–	–
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
- Appreciation	5,758,100	0.45	7,848,600	0.24
- Depreciation	901,100	0.07	11,356,338	0.34

- 1.7 The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 3,396,186,467 and Rs. 5,696,476,500 respectively being 154.97% and 259.93% of the average daily net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-19 (excluding accretion of discount)

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

are Rs. 18,580,967,733 and Rs. 20,631,559,500 respectively being 369.00% and 409.73% of the average daily net assets.

1.8. Non-Traded securities in the portfolio :

Aggregate Value of Equity, Debt & Money Market Instruments and their percentages to Net assets are as under :

Security Category	Fair Value (Rupees)	% to Net Assets	Fair Value (Rupees)	% to Net Assets
	2020		2019	
	Debt Instruments	606,721,900	47.29%	2,035,980,300
Money market Instruments	282,992,550	22.06%	1,217,544,150	36.57%
Total	889,714,450	69.35%	3,253,524,450	97.74%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2019-2020	21.87	19.81	4,411,719	69.13

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2018-2019	320.38	32.72	9,807,313	65.75

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL. (Previous year also NIL)

The brokerage paid was at rates similar to those offered to other distributors. The Commission / Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
- Devolvement - Nil. (Previous year also Nil)

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Growth Option	712,235.104	–	6,710.760	705,524.344	10
Regular Daily Dividend Option	2,456,524.937	–	505,282.838	1,951,242.099	10
Regular Weekly Dividend Option	777,642.792	–	90,742.454	686,900.338	10
Institutional Growth Option	67,925,644.717	27,818,925.255	65,840,025.826	29,904,544.146	10
Institutional Daily Dividend Option	92,787,201.352	10,115,119.229	52,932,557.56	49,969,763.024	10
Institutional Weekly Dividend Option	22,567,389.392	3,831,576.96	15,441,565.83	10,957,400.521	10
Institutional Monthly Dividend Option	49,441,510.410	7,958,441.64	50,371,594.83	7,028,357.219	10
Institutional Plus Daily Dividend Option	33,942.457	–	33,942.46	–	10
Direct Plan - Growth Option	21,363,875.27	25,261,646.85	41,699,642.22	4,925,879.912	10
Direct Plan - Daily Dividend Option	11,778,224.08	124,747.96	10,117,281.71	1,785,690.328	10
Direct Plan - Weekly Dividend Option	2,066,925.12	39,213.54	83,221.63	2,022,917.032	10
Direct Plan - Monthly Dividend Option	138,519.02	2,368.68	8,035.33	132,852.38	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Growth Option	717,316.669	–	5,081.565	712,235.104	10
Regular Daily Dividend Option	3,795,087.294	–	1,338,562.357	2,456,524.937	10
Regular Weekly Dividend Option	986,076.388	–	208,433.596	777,642.792	10
Institutional Growth Option	111,221,910.866	124,354,713.534	167,650,979.683	67,925,644.717	10
Institutional Daily Dividend Option	213,179,315.201	169,104,784.230	289,496,898.079	92,787,201.352	10
Institutional Weekly Dividend Option	61,147,798.311	33,286,824.632	71,867,233.551	22,567,389.392	10
Institutional Monthly Dividend Option	26,754,861.665	51,626,311.113	28,939,662.368	49,441,510.410	10
Institutional Plus Daily Dividend Option	33,942.457	–	–	33,942.457	10
Direct Plan - Growth Option	31,177,370.802	279,748,368.919	289,561,864.448	21,363,875.273	10
Direct Plan - Daily Dividend Option	12,244,066.276	40,948,344.442	41,414,186.640	11,778,224.078	10
Direct Plan - Weekly Dividend Option	7,924,845.420	2,658,411.252	8,516,331.553	2,066,925.119	10
Direct Plan - Monthly Dividend Option	139,854.454	7,842.083	9,177.515	138,519.022	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 395,920.436 & as on March 31, 2019 is 395,920.436

5 Prior year amounts have been re-grouped/re-arranged where necessary.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Other Income of Rs. 182,140 represents exit load credited to the scheme (2019: NIL).

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

10 Garnishee Notice from Income Tax Authorities

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores.

Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year.

Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT.

The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th Feb 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter was scheduled on April 17, 2020. However, due to the COVID 19 pandemic situation, the hearing scheduled on 17th April 2020 is getting auto adjourned.

11 Securities in default beyond its maturity date

(Rs. in Lacs)

Scheme name	HSBC Low Duration Fund
Name of the security	9.05% DEWAN HSG FIN NCD RED 09-09-2019
ISIN	INE202B07UJ3
Value (in absolute terms) of the security considered under net receivables / current assets	932.93
Value (in % terms) of the security considered under net receivables / current assets *	7.27%
Principal amount due to the scheme	3,500.00

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

(Rs. in Lacs)

Interest amount due to the scheme #	231.70
Total amount due to the scheme	3,731.70
75 % provision on (Principal + Interest)	2,798.78

Interest Accrual was stopped from 04th June 2019

* For calculation of Value (in % terms), AUM as on 31 Mar 2020 has been considered.

- 12 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Flexi Debt Fund

An open ended dynamic debt scheme investing across duration

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and cursive.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Flexi Debt Fund (HFDF)

(An open ended dynamic debt scheme investing across duration)

HFDF seeks to deliver returns in the form of interest income and capital gains, along with high liquidity, commensurate with the current view on the markets and the interest rate cycle, through active investment in debt and money market instruments. However, there is no assurance that the investment objective of the Scheme will be achieved.

The net assets of HFDF amounted to Rs. 101.36 crores as at March 31, 2020 as compared to Rs. 128.49 crores as at March 31, 2019. Around 94.51% of the net assets was invested in debt and money market instruments and 5.49% comprised of reverse repos/TREPS and net current assets as at March 31, 2020.

Bond markets remained volatile over the year. In the first half of the year, stable crude prices along with very low inflation, including core inflation, led to RBI cutting rates thrice till August of 2019. This resulted in GOI 10-year benchmark security moving to a peak of 7.40 at the beginning of the year hit a low of 6.25 in July-August 2019. Post reversal in inflation rising above 5%, bonds were range bound from August onwards, also sold off/range bound till February on budget uncertainties. Due to continued RBI support by way of incremental rate cut of 110bps and liquidity infusion, 10 year closed at 6.15 levels in March 2020. HFDF underperformed its scheme's benchmark for 1 year as fund was overweight index during first half of the year however went underweight due to very high volatility post December due to fiscal concerns and markets continued to do well due to RBI Support leading to underperformance. The fund was overweight index when yields hardened between 2017 and 2018 impacting negatively on 3 and 5-year performance. Long term performance is expected to recover over the period of time.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
		1 Year	3 Years	5 Years
Date of Inception : 5 October 2007				
HSBC Flexi Debt Fund - Growth	10.47	6.40	6.80	8.22
CRISIL Composite Bond Fund Index (Scheme Benchmark)	12.57	8.10	8.72	8.04
CRISIL 10 Year Gilt Index (Standard Benchmark)	14.55	6.85	8.06	7.21
Rs. 10,000, if invested in HFDF, would have become	11,056	12,048	13,900	26,835
Rs. 10,000, if invested in CRISIL Composite Bond Fund Index, would have become	11,268	12,635	15,197	26,283
Rs. 10,000, if invested in CRISIL 10 Year Gilt Index, would have become	11,468	12,201	14,740	23,868

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged

Trustees' Report

For the year ended March 31, 2020 (Contd...)

in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBI's accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April 19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Flexi Debt Fund	25,208.08	4	Nil	Nil

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Com-plaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall

Trustees' Report

For the year ended March 31, 2020 (Contd...)

complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Flexi Debt Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Flexi Debt Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud

Independent Auditors' Report (Contd...)

or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
3. As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	5,519.60
	3,935.91	
2	Reserves & Surplus	
2.1	Unit Premium Reserves	16.67
2.2	Unrealised Appreciation Reserve	164.34
2.3	Other Reserves	7,147.97
	6,379.38	
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	45.31
	26.21	
	TOTAL	12,893.89
	10,181.49	
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	7,903.77
1.1.5	Securitized Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitized Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitized Debt Securities	-
1.4	Government Securities	3,416.12
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	1,213.58
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	12,533.47
	9,580.09	
2	Deposits	26.94
	30.29	
3	Other Current Assets	
3.1	Cash & Bank Balance	0.09
3.2	TREPS/Reverse Repo Lending	203.63
3.3	Others	129.76
	103.04	
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	12,893.89
	10,181.49	

Notes to Accounts – Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	-	-
1.2 Interest	802.48	1,260.11
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	661.37	(324.73)
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	-	-
(A)	1,463.85	935.38
2 EXPENSES		
2.1 Management Fees	89.88	135.31
2.2 GST on Management Fees	16.18	24.36
2.3 Transfer Agents Fees and Expenses	4.24	6.80
2.4 Custodian Fees	0.31	0.40
2.5 Trusteeship Fees	0.25	0.33
2.6 Commission to Agents	50.95	62.55
2.7 Marketing & Distribution Expenses	0.21	-
2.8 Audit Fees	0.23	0.22
2.9 Investor Education Expenses	2.26	3.38
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	2.32	2.74
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	-
(B)	166.83	236.09
3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B)	1,297.02	699.31
4 Change in Unrealised Depreciation in Value of Investments (D)	(4.24)	102.75
5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D)	1,292.78	802.06
6 Change in Unrealised Appreciation in Value of Investments (F)	(114.24)	164.34
7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F)	1,178.54	966.40
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	114.24	-
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	(164.34)
7.3 Add/(Less) : Equalisation	(2,037.27)	(5,763.75)
7.4 Transfer from Reserve Fund	7,147.97	12,125.31
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	6,403.48	7,163.62
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(17.34)	(11.26)
9.2 Tax on Income Distributed during the Year	(6.76)	(4.39)
10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet	6,379.38	7,147.97

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan - Growth Option #	23.4615	22.0596
Regular Plan - Fortnightly Dividend Option #	–	14.2009
Regular Plan - Monthly Dividend Option #	14.8352	13.9488
Regular Plan - Quarterly Dividend Option #	14.3134	13.4583
Regular Plan - Half Yearly Dividend Option #	16.5962	15.6039
Institutional Growth Option ^	24.2675	22.7602
Institutional Fortnightly Dividend Option ^	10.6052	10.4978
Institutional Monthly Dividend Option ^	10.6188	10.4871
Institutional Quarterly Dividend Option ^	12.1976	11.4402
Institutional Half Yearly Dividend Option ^	11.4994	11.1614
Direct Plan - Growth Option	25.4499	23.6912
Direct Plan - Monthly Dividend Option	10.3116	10.0030
Direct Plan - Quarterly Dividend Option	11.4102	11.4505
Direct Plan - Half Yearly Dividend Option	10.9999	10.6599
High		
Regular Plan - Growth Option #	26.0776	23.4554
Regular Plan - Fortnightly Dividend Option #	–	–
Regular Plan - Monthly Dividend Option #	16.4893	14.8313
Regular Plan - Quarterly Dividend Option #	15.9093	14.3097
Regular Plan - Half Yearly Dividend Option #	18.4459	16.5920
Institutional Growth Option ^	27.0348	24.2609
Institutional Fortnightly Dividend Option ^	10.8596	10.7125
Institutional Monthly Dividend Option ^	10.8843	10.8047
Institutional Quarterly Dividend Option ^	13.5885	12.1943
Institutional Half Yearly Dividend Option ^	12.3366	11.8636
Direct Plan - Growth Option	28.5580	25.4419
Direct Plan - Monthly Dividend Option	10.6412	10.4524
Direct Plan - Quarterly Dividend Option	12.1654	11.5794
Direct Plan - Half Yearly Dividend Option	12.1318	11.4145
Low		
Regular Plan - Growth Option #	23.3008	21.6669
Regular Plan - Fortnightly Dividend Option #	–	–
Regular Plan - Monthly Dividend Option #	14.7336	13.7004
Regular Plan - Quarterly Dividend Option #	14.2154	13.2186
Regular Plan - Half Yearly Dividend Option #	16.4824	15.3263
Institutional Growth Option ^	24.1050	22.3653
Institutional Fortnightly Dividend Option ^	10.4134	10.3157
Institutional Monthly Dividend Option ^	10.3994	10.3052
Institutional Quarterly Dividend Option ^	12.1159	11.2418

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Institutional Half Yearly Dividend Option ^	11.4224	10.9678
Direct Plan - Growth Option	25.2908	23.3128
Direct Plan - Monthly Dividend Option	10.1385	9.8432
Direct Plan - Quarterly Dividend Option	11.3389	11.0439
Direct Plan - Half Yearly Dividend Option	10.9311	10.4896
End		
Regular Plan - Growth Option #	25.8709	23.4615
Regular Plan - Fortnightly Dividend Option #	-	-
Regular Plan - Monthly Dividend Option #	16.3586	14.8352
Regular Plan - Quarterly Dividend Option #	15.7832	14.3134
Regular Plan - Half Yearly Dividend Option #	18.2997	16.5962
Institutional Growth Option ^	26.8240	24.2675
Institutional Fortnightly Dividend Option ^	10.6154	10.6052
Institutional Monthly Dividend Option ^	10.6405	10.6188
Institutional Quarterly Dividend Option ^	13.4826	12.1976
Institutional Half Yearly Dividend Option ^	11.8324	11.4994
Direct Plan - Growth Option	28.3491	25.4499
Direct Plan - Monthly Dividend Option	10.3761	10.3116
Direct Plan - Quarterly Dividend Option	11.8830	11.4102
Direct Plan - Half Yearly Dividend Option	12.0032	10.9999
2. Closing Assets Under Management (Rs. in Lakhs)		
End	10,136	12,849
Average (AAuM) ¹	11,322	16,884
3. Gross income as % of AAuM ²	12.93%	5.54%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan - Growth Option #	1.98%	1.98%
Institutional Growth Option ^	1.74%	1.73%
Direct Plan - Growth Option	0.97%	0.98%
b. Management Fee as % of AAuM (planwise)		
Regular Plan - Growth Option #	0.76%	0.80%
Institutional Growth Option ^	0.82%	0.80%
Direct Plan - Growth Option	0.75%	0.80%
5. Net Income as a percentage of AAuM ³	11.46%	4.14%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Institutional Fortnightly Dividend Option ^	0.7629	0.4133

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Institutional Monthly Dividend Option ^	0.7541	0.3969
Institutional Quarterly Dividend Option ^	-	-
Institutional Half Yearly Dividend Option ^	0.6122	0.2881
Direct Plan - Fortnightly Dividend Option	-	-
Direct Plan - Monthly Dividend Option	0.7612	0.3069
Direct Plan - Quarterly Dividend Option	0.5690	0.6123
Direct Plan - Half Yearly Dividend Option	-	0.3241
Corporate		
Institutional Fortnightly Dividend Option ^	0.7064	0.3827
Institutional Monthly Dividend Option ^	0.6983	0.3676
Institutional Quarterly Dividend Option ^	-	-
Institutional Half Yearly Dividend Option ^	0.5670	0.2668
Direct Plan - Monthly Dividend Option	0.7049	0.2842
Direct Plan - Quarterly Dividend Option	0.5269	0.5670
Direct Plan - Half Yearly Dividend Option	-	0.3002
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan - Growth Option #	10.2100	6.3447
Institutional Growth Option ^	10.4700	6.6123
Direct Plan - Growth Option	11.3300	7.4131
Benchmark		
CRISIL Composite Bond Fund Index	12.5700	6.7200
b. Since Inception		
Scheme		
Regular Plan - Growth Option #	7.9000	7.7034
Institutional Growth Option ^	8.2200	8.0205
Direct Plan - Growth Option	8.1500	7.6381
Benchmark		
CRISIL Composite Bond Fund Index	8.0400	7.6500

Plans Discontinued for fresh subscription

^ Institutional plan is (Regular continue Plan) available for fresh subscription w.e.f. October 01, 2012.

1. AAUM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AUM for the year

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	–	–	10,579,473	0.82
– Depreciation	423,850	0.04	–	–
Certificate of Deposit				
– Appreciation	1,282,755	0.13	157,752	0.01
– Depreciation	–	–	–	–
Government Securities				
– Appreciation	3,973,997	0.39	6,000,766	0.47
– Depreciation	247,398	0.02	304,470	0.02

- 1.7 The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 4,850,889,273 and Rs. 5,201,668,090 respectively being 428.45% and 459.43% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-19 (excluding accretion of discount) are Rs. 10,670,106,282 and Rs. 11,540,908,836 respectively being 631.98% and 683.55% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is as under :

Security Category	Fair Value (Rupees)	% to Net Assets	Fair Value (Rupees)	% to Net Assets
	2020		2019	
Debt Instruments	133,655,020	13.19%	790,378,440	61.51%
Money Market Instruments	–	–	121,357,990	9.45%
Total	133,655,020	13.19%	911,736,430	70.96%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

During the year 2019-20, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

During the year 2018-19, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

Commission paid to Sponsor/AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	4.30	48.85	3,063,611.40	70.41

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	1.05	12.45	3,754,582.70	63.10

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

The brokerage paid was at rates similar to those offered to other brokers / distributors. The Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous Year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan - Growth Option	1,431,674.891	-	237,141.871	1,194,533.020	10
Regular Plan - Monthly Dividend Option	1,516,159.216	-	289,101.579	1,227,057.637	10
Regular Plan - Fortnightly Dividend Option	(0.054)	-	(0.054)	-	10
Regular Plan - Quarterly Dividend Option	173,246.287	-	103,679.649	69,566.638	10
Regular Plan - Half Yearly Dividend Option	1,675.319	-	-	1,675.319	10
Growth Option ****	26,693,160.654	2,254,431.790	6,286,593.339	22,660,999.105	10
Monthly Dividend Option ****	1,460,495.921	356,844.833	264,906.306	1,552,434.448	10
Fortnightly Dividend Option ****	896,316.276	578,142.857	770,142.232	704,316.901	10
Quarterly Dividend Option ****	2,341,625.767	355,329.621	2,403,634.844	293,320.544	10
Half Yearly Dividend Option ****	17,570.187	193,310.137	60,979.421	149,900.903	10
Direct Plan - Growth Option	20,595,703.818	222,780.904	9,331,471.813	11,487,012.909	10
Direct Plan - Fortnightly Dividend Option	-	-	-	-	10
Direct Plan - Quarterly Dividend Option	1,018.288	24,990.008	23,557.745	2,450.551	10
Direct Plan - Monthly Dividend Option	50,483.919	15,356.207	50,000.000	15,840.126	10
Direct Plan - Half Yearly Dividend Option	16,901.575	2,648.441	19,548.200	1.816	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan - Growth Option	1,999,726.237	–	568,051.346	1,431,674.891	10
Regular Plan - Monthly Dividend Option	1,778,735.551	38,601.768	301,178.103	1,516,159.216	10
Regular Plan - Fortnightly Dividend Option	377.487	–	377.541	(0.054)	10
Regular Plan - Quarterly Dividend Option	415,637.623	–	242,391.336	173,246.287	10
Regular Plan - Half Yearly Dividend Option	1,675.319	–	–	1,675.319	10
Growth Option ****	47,511,124.791	1,090,834.283	21,908,798.420	26,693,160.654	10
Monthly Dividend Option ****	2,750,556.201	78,785.107	1,368,845.387	1,460,495.921	10
Fortnightly Dividend Option ****	898,549.727	353,420.441	355,653.892	896,316.276	10
Quarterly Dividend Option ****	3,506,986.095	881.826	1,166,242.154	2,341,625.767	10
Half Yearly Dividend Option ****	27,566.610	5,941.229	15,937.652	17,570.187	10
Direct Plan - Growth Option	45,544,344.708	1,271,346.003	26,219,986.893	20,595,703.818	10
Direct Plan - Fortnightly Dividend Option	–	–	–	–	10
Direct Plan - Quarterly Dividend Option	86,344.082	2,367.935	87,693.729	1,018.288	10
Direct Plan - Monthly Dividend Option	50,000.000	483.919	–	50,483.919	10
Direct Plan - Half Yearly Dividend Option	16,414.445	932.025	444.895	16,901.575	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 254,406.317 & as on March 31, 2019 is 254,406.317.

**** Earlier known as Institutional Plan.

5 Previous year's figures have been re-grouped / re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

8 Other Income for the year ended March 31, 2020 is Rs. 6/- (Interest recd on printing & stationery bill paid by scheme instead off AMC - EXP) (2019: Nil).

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

10 Garnishee Notice from Income Tax Authorities

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores.

Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year.

Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT.

The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th Feb 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter was scheduled on April 17, 2020. However, due to the COVID 19 pandemic situation, the hearing scheduled on 17th April 2020 is getting auto adjourned.

11 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements,

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 12 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Overnight Fund

Overnight fund – An open ended debt scheme investing in overnight securities

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and cursive.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Overnight Fund (HOF)

(An open ended debt scheme investing in overnight securities)

HOF seeks to offer reasonable returns commensurate with low risk and high degree of liquidity through investments in overnight securities. However, there is no assurance that the investment objective of the Scheme will be achieved.

The net assets of HOF amounted to Rs. 286.74 crores as at March 31, 2020. The entire net asset remains invested in debt and money market instruments including reverse repos/TREPS as at March 31, 2020. The scheme was launched on May 22, 2019.

HOF performed marginally lower than its benchmark for FY 2019-2020 due to conservative investments and the focus being only on overnight market i.e. TREPS and CROMS.

Scheme Name & Benchmarks	Simple Annualized Returns (%)				Compounded Annualized Returns (%)		
	Last 7 Days as on 31 March 2020	Last 15 Days as on 31 March 2020	Last 30 Days as on 31 March 2020	1 Year	3 Years	5 Years	Since Inception
Date of Inception : 22 May 2019							
HSBC Overnight Fund – Growth	0.7956	2.4339	3.5755	NA	NA	NA	4.21
Crisil Overnight Index (Scheme Benchmark)	0.8008	2.4469	3.6989	NA	NA	NA	4.39
Nifty 1D Rate Index (Standard Benchmark)	0.8038	2.4468	3.6979	NA	NA	NA	4.39
Rs. 10,000, if invested in HOF, would have become	10,002	10,010	10,029	NA	NA	NA	10,421
Rs. 10,000, if invested in Crisil Overnight Index, would have become	10,002	9,989	10,030	NA	NA	NA	10,439
Rs. 10,000, if invested in Nifty 1D Rate Index, would have become	10,002	10,010	10,030	NA	NA	NA	10,439

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FILs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FILs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that

Trustees' Report

For the year ended March 31, 2020 (Contd...)

in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Nil.

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2020 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and

Trustees' Report

For the year ended March 31, 2020 (Contd...)

136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Scheme launched during the current financial year

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund – HSBC Overnight Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Overnight Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the period from 22 May 2019 (the 'date of allotment') to 31 March 2020 (the 'Period'), and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the period ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**
Chartered Accountants
 ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath
Partner
 Membership No: 067114

Place : Mumbai
 Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020 #
LIABILITIES	
1 Unit Capital	27,523.96
2 Reserves & Surplus	
2.1 Unit Premium Reserves	(0.09)
2.2 Unrealised Appreciation Reserve	-
2.3 Other Reserves	1,150.46
3 Loans & Borrowings	-
4 Current Liabilities & Provisions	
4.1 Provision for Doubtful Income/Deposits	-
4.2 Other Current Liabilities & Provisions	99.26
TOTAL	28,773.59
ASSETS	
1 Investments	
1.1 Listed Securities:	
1.1.1 Equity Shares	-
1.1.2 Preference Shares	-
1.1.3 Equity Linked Debentures	-
1.1.4 Other Debentures & Bonds	-
1.1.5 Securitised Debt Securities	-
1.2 Securities Awaited Listing:	
1.2.1 Equity Shares	-
1.2.2 Preference Shares	-
1.2.3 Equity Linked Debentures	-
1.2.4 Other Debentures & Bonds	-
1.2.5 Securitised Debt Securities	-
1.3 Unlisted Securities:	
1.3.1 Equity Shares	-
1.3.2 Preference Shares	-
1.3.3 Equity Linked Debentures	-
1.3.4 Other Debentures & Bonds	-
1.3.5 Securitised Debt Securities	-
1.4 Government Securities	-
1.5 Treasury Bills	-
1.6 Commercial Paper	-
1.7 Certificate of Deposits	-
1.8 Bill Rediscounting	-
1.9 Units of Domestic Mutual Fund	-
1.10 Foreign Securities	-
Total Investments	-
2 Deposits	5.00
3 Other Current Assets	
3.1 Cash & Bank Balance	30.01
3.2 TREPS/Reverse Repo Lending	28,738.19
3.3 Others	0.39
4 Deferred Revenue Expenditure (to the extent not written off)	-
TOTAL	28,773.59

Scheme launched during the current financial year

Notes to Accounts - Annexure I

Abridged Revenue Account for the period ended March 31, 2020

Rs. in Lakhs

		Current period ended March 31, 2020#
1	INCOME	
1.1	Dividend	-
1.2	Interest	898.97
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	-
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	-
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	(5.13)
1.6	Realised Gains/(Losses) on Derivative Transactions	-
1.7	Other Income	-
	(A)	893.84
2	EXPENSES	
2.1	Management Fees	13.20
2.2	GST on Management Fees	2.38
2.3	Transfer Agents Fees and Expenses	3.22
2.4	Custodian Fees	-
2.5	Trusteeship Fees	0.13
2.6	Commission to Agents	2.59
2.7	Marketing & Distribution Expenses	0.05
2.8	Audit Fees	0.41
2.9	Investor Education Expenses	3.63
2.10	Interest on Borrowing	-
2.11	Other Operating Expenses	2.14
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-
	(B)	27.75
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B) 866.09
4	Change in Unrealised Depreciation in Value of Investments	(D) -
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D) 866.09
6	Change in Unrealised Appreciation in Value of Investments	(F) -
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F) 866.09
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	-
7.3	Add/(Less) : Equalisation	432.42
7.4	Transfer from Reserve Fund	-
7.5	Transfer from Unit Premium Reserve	-
8	Total	1,298.51
9	Dividend Appropriation	
9.1	Income Distributed during the Year	(99.38)
9.2	Tax on Income Distributed during the Year	(48.67)
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	1,150.46

Scheme launched during the current financial year
Notes to Accounts - Annexure I

Key Statistics for the period ended March 31, 2020

Current period ended
March 31, 2020 #

1. NAV per unit (Rs.):

Open

Regular Growth Option	–
Regular Daily Dividend Option	–
Regular Weekly Dividend Option	–
Regular Monthly Dividend Option	–
Direct Plan - Growth Option	–
Direct Plan - Daily Dividend Option	–
Direct Plan - Weekly Dividend Option	–
Direct Plan - Monthly Dividend Option	–

High

Regular Growth Option	1,042.2867
Regular Daily Dividend Option	1,000.0000
Regular Weekly Dividend Option	1,001.0373
Regular Monthly Dividend Option	1,004.1536
Direct Plan - Growth Option	1,043.6439
Direct Plan - Daily Dividend Option	1,000.0000
Direct Plan - Weekly Dividend Option	1,001.6667
Direct Plan - Monthly Dividend Option	1,002.1180

Low

Regular Growth Option	1,000.1562
Regular Daily Dividend Option	1,000.0000
Regular Weekly Dividend Option	1,000.0687
Regular Monthly Dividend Option	1,000.0200
Direct Plan - Growth Option	1,000.1603
Direct Plan - Daily Dividend Option	1,000.0000
Direct Plan - Weekly Dividend Option	1,000.2521
Direct Plan - Monthly Dividend Option	1,000.0984

End

Regular Growth Option	1,042.2867
Regular Daily Dividend Option	1,000.0000
Regular Weekly Dividend Option	1,000.1556
Regular Monthly Dividend Option	1,000.0678
Direct Plan - Growth Option	1,043.6439
Direct Plan - Daily Dividend Option	1,000.0000
Direct Plan - Weekly Dividend Option	–
Direct Plan - Monthly Dividend Option	–

Key Statistics for the period ended March 31, 2020 (Contd...)

Current period ended
March 31, 2020 #

2. Closing Assets Under Management (Rs. in Lakhs)	
End	28,674
Average (AAuM) ¹	21,064
3. Gross income as % of AAuM (Annualized) ²	4.93%
4. Expense Ratio (Annualized):	
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)	
Regular Growth Option	0.26%
Direct Plan - Growth Option	0.11%
b. Management Fee as % of AAuM (planwise)	
Regular Growth Option	0.13%
Direct Plan - Growth Option	0.05%
5. Net Income as a percentage of AAuM (Annualized) ³	4.78%
6. Portfolio turnover ratio ⁴	–
7. Total Dividend per unit distributed during the year (planwise)	
Retail	
Regular Daily Dividend Option	23.2477
Regular Weekly Dividend Option	13.9180
Regular Monthly Dividend Option	20.3566
Direct Plan - Daily Dividend Option	30.7778
Direct Plan - Weekly Dividend Option	5.6959
Direct Plan - Monthly Dividend Option	–
Corporate	
Regular Daily Dividend Option	21.5275
Regular Weekly Dividend Option	12.8881
Regular Monthly Dividend Option	18.8504
Direct Plan - Daily Dividend Option	28.5004
Direct Plan - Weekly Dividend Option	5.2744
Direct Plan - Monthly Dividend Option	–
8. Returns (%):	
a. Last One Year	
Scheme	
Regular Growth Option	N.A
Direct Plan - Growth Option	N.A
Benchmark	
CRISIL Overnight Index	N.A

Key Statistics for the period ended March 31, 2020 (Contd...)

Current period ended
March 31, 2020 #

b. Since Inception

Scheme

Regular Growth Option	4.21% ¥¥
Direct Plan - Growth Option	4.33% ¥¥

Benchmark

CRISIL Overnight Index	4.39% ¥¥
------------------------	----------

¥¥ Since scheme has not completed one year since inception scheme & benchmark returns are absolute returns.

1. AAuM = Average daily net assets
2. Gross income = amount against (A) in the Revenue account i.e. Income
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

Scheme launched during the current financial year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of year ended March 31, 2020 is NIL.
- 1.3. Investments in Associates and Group Companies :

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes
			2020
Shriram Transport Finance Company Ltd.	Corporate Bonds/Debentures	–	–
	Equities	–	–
Bharti Airtel Ltd.	Equities	–	594,575,759
Balrampur Chini Mills Ltd.	Equities	–	–
Thomas Cook (India) Ltd.	Equities	–	–

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of financial year ended March 31, 2020 is NIL.
 - 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 is NIL.
 - 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year March 31, 2020 is NIL.
 - 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 2,769,314,405 and Rs. 2,770,000,000 respectively being 152.76% and 152.79% of the average daily net assets.
 - 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is Nil.
- 2 **Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.**

During the year 2019-20, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	188.99	1.06	25,552	19.55

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL.

The brokerage paid was at rates similar to those offered to other distributors. The Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2020

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil.
 - (ii) Devolvement - Nil.
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil.
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil.
- 3 Details of investors holding units in the scheme over 25% of the NAV as on March 31, 2020 is as follows:

Name of Scheme	Number of Investor	% Investment as on 31-03-2020
HSBC Overnight Fund	1	26.05%

- 4 Unit Capital movement during the years ended March 31, 2020**:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option	-	76,728,489.695	75,239,798.871	1,488,690.824	1,000
Regular Daily Dividend Option	-	205,728.407	155,650.129	50,078.278	1,000
Regular Weekly Dividend Option	-	6,587.764	5,067.706	1,520.058	1,000
Regular Monthly Dividend Option	-	18,522.775	1,025.995	17,496.780	1,000
Direct Plan – Growth Option	-	90,313,977.104	89,120,595.831	1,193,381.273	1,000
Direct Plan - Daily Dividend Option	-	5,939,459.704	5,938,230.490	1,229.214	1,000

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 5000.000

- 5 As these are the first financial statements of the schemes since the date of launch, there are no prior period comparatives.
- 6 No contingent liabilities for the year ended March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other Income :- Rs. Nil.
- 9 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2020**

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Scheme launched during the current financial year

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and cursive.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Ultra Short Duration Fund (HUSDF)®

(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)

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

The net assets of HSBC Ultra Short Duration Fund amounted to Rs. 475.75 crores as at March 31, 2020. The entire net assets were invested in debt and money market instruments as at March 31, 2020. The scheme was launched on January 29, 2020.

@ Note: The Performance of HSBC Ultra Short Duration Fund has not been provided as the scheme has not completed one year from the date of inception.

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

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On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would

Trustees' Report

For the year ended March 31, 2020 (Contd...)

recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

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RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April 19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets have been worried about the co-vinduced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

Trustees' Report

For the year ended March 31, 2020 (Contd...)

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Nil.

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0

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For the year ended March 31, 2020 (Contd...)

2019-2020												
Com-plaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational

Trustees' Report

For the year ended March 31, 2020 (Contd...)

framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund – HSBC Ultra Short Duration Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Ultra Short Duration Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the period from 29 January 2020 (the 'date of allotment') to 31 March 2020 (the 'Period'), and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the period ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that

Independent Auditors' Report (Contd...)

is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
3. As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020
LIABILITIES	
1 Unit Capital	52,862.56
2 Reserves & Surplus	
2.1 Unit Premium Reserves	0.65
2.2 Unrealised Appreciation Reserve	-
2.3 Other Reserves	404.57
3 Loans & Borrowings	-
4 Current Liabilities & Provisions	
4.1 Provision for Doubtful Income /Deposits	-
4.2 Other Current Liabilities & Provisions	740.17
TOTAL	54,007.95
ASSETS	
1 Investments	
1.1 Listed Securities:	
1.1.1 Equity Shares	-
1.1.2 Preference Shares	-
1.1.3 Equity Linked Debentures	-
1.1.4 Other Debentures & Bonds	10,080.26
1.1.5 Securitised Debt Securities	-
1.2 Securities Awaited Listing:	
1.2.1 Equity Shares	-
1.2.2 Preference Shares	-
1.2.3 Equity Linked Debentures	-
1.2.4 Other Debentures & Bonds	-
1.2.5 Securitised Debt Securities	-
1.3 Unlisted Securities:	
1.3.1 Equity Shares	-
1.3.2 Preference Shares	-
1.3.3 Equity Linked Debentures	-
1.3.4 Other Debentures & Bonds	-
1.3.5 Securitised Debt Securities	-
1.4 Government Securities	-
1.5 Treasury Bills	-
1.6 Commercial Paper	19,345.56
1.7 Certificate of Deposits	22,650.43
1.8 Bill Rediscounting	-
1.9 Units of Domestic Mutual Fund	-
1.10 Foreign Securities	-
Total Investments	52,076.25
2 Deposits	3.71
3 Other Current Assets	
3.1 Cash & Bank Balance	1,150.60
3.2 TREPS / Reverse Repo Lending	602.19
3.3 Others	175.20
4 Deferred Revenue Expenditure (to the extent not written off)	-
TOTAL	54,007.95

Scheme launched during the current financial year

Notes to Accounts - Annexure I

Abridged Revenue Account for the period ended March 31, 2020

Rs. in Lakhs

		Current period ended March 31, 2020#
1	INCOME	
1.1	Dividend	-
1.2	Interest	855.86
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	-
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	-
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	(156.86)
1.6	Realised Gains/(Losses) on Derivative Transactions	-
1.7	Other Income	-
	(A)	699.00
2	EXPENSES	
2.1	Management Fees	19.19
2.2	GST on Management Fees	3.45
2.3	Transfer Agents Fees and Expenses	6.07
2.4	Custodian Fees	0.72
2.5	Trusteeship Fees	0.16
2.6	Commission to Agents	9.36
2.7	Marketing & Distribution Expenses	0.02
2.8	Audit Fees	1.09
2.9	Investor Education Expenses	2.92
2.10	Interest on Borrowing	-
2.11	Other Operating Expenses	1.87
2.12	Less: Expenses to be Reimbursed by the Investment Manager	-
	(B)	44.85
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B) 654.15
4	Change in Unrealised Depreciation in Value of Investments	(D) (134.86)
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D) 519.29
6	Change in Unrealised Appreciation in Value of Investments	(F) -
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F) 519.29
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	-
7.3	Add/(Less) : Equalisation	(23.24)
7.4	Transfer from Reserve Fund	-
7.5	Transfer from Unit Premium Reserve	-
8	Total	496.05
9	Dividend Appropriation	
9.1	Income Distributed during the Year	(65.32)
9.2	Tax on Income Distributed during the Year	(26.16)
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	404.57

Scheme launched during the current financial year

Notes to Accounts - Annexure I

Key Statistics for the period ended March 31, 2020

Current period ended
March 31, 2020 #

1. NAV per unit (Rs.):

Open

Regular Growth Option	–
Regular Daily Dividend Option	–
Regular Weekly Dividend Option	–
Regular Monthly Dividend Option	–
Direct Plan - Growth Option	–
Direct Plan - Daily Dividend Option	–
Direct Plan - Weekly Dividend Option	–
Direct Plan - Monthly Dividend Option	–

High

Regular Growth Option	1,008.8735
Regular Daily Dividend Option	1,001.0845
Regular Weekly Dividend Option	1,002.5875
Regular Monthly Dividend Option	1,004.9257
Direct Plan - Growth Option	1,009.3086
Direct Plan - Daily Dividend Option	1,001.7122
Direct Plan - Weekly Dividend Option	1,002.9587
Direct Plan - Monthly Dividend Option	1,005.1883

Low

Regular Growth Option	997.1914
Regular Daily Dividend Option	991.3467
Regular Weekly Dividend Option	990.9783
Regular Monthly Dividend Option	993.2893
Direct Plan - Growth Option	997.5738
Direct Plan - Daily Dividend Option	991.4000
Direct Plan - Weekly Dividend Option	991.2980
Direct Plan - Monthly Dividend Option	993.5015

End

Regular Growth Option	1,008.8735
Regular Daily Dividend Option	1,001.0845
Regular Weekly Dividend Option	1,002.5875
Regular Monthly Dividend Option	1,004.9257
Direct Plan - Growth Option	1,009.3086
Direct Plan - Daily Dividend Option	1,001.7122
Direct Plan - Weekly Dividend Option	1,002.9587
Direct Plan - Monthly Dividend Option	1,005.1883

Key Statistics for the period ended March 31, 2020 (Contd...)

	Current period ended March 31, 2020 #
2. Closing Assets Under Management (Rs. in Lakhs)	
End	47,575
Average (AAuM) ¹	84,738
3. Gross income as % of AAuM (Annualized) ²	4.79%
4. Expense Ratio (Annualized):	
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)	
Regular Growth Option	0.47%
Direct Plan - Growth Option	0.22%
b. Management Fee as % of AAuM (planwise)	
Regular Growth Option	0.17%
Direct Plan - Growth Option	0.11%
5. Net Income as a percentage of AAuM (Annualized) ³	4.48%
6. Portfolio turnover ratio ⁴	-
7. Total Dividend per unit distributed during the year (planwise)	
Retail	
Regular Daily Dividend Option	5.5895
Regular Weekly Dividend Option	6.1425
Regular Monthly Dividend Option	2.8316
Direct Plan - Daily Dividend Option	5.4467
Direct Plan - Weekly Dividend Option	5.4370
Direct Plan - Monthly Dividend Option	2.9533
Corporate	
Regular Daily Dividend Option	5.1759
Regular Weekly Dividend Option	5.6880
Regular Monthly Dividend Option	2.6221
Direct Plan - Daily Dividend Option	5.0437
Direct Plan - Weekly Dividend Option	5.0347
Direct Plan - Monthly Dividend Option	2.7348
8. Returns (%):	
a. Last One Year	
Scheme	
Regular Growth Option	N.A
Direct Plan - Growth Option	N.A
Benchmark	
CRISIL Ultra Short Term Debt Index	N.A

Key Statistics for the period ended March 31, 2020 (Contd...)

Current period ended
March 31, 2020 #

b. Since Inception

Scheme

Regular Growth Option	0.89% ¥¥
Direct Plan - Growth Option	0.93% ¥¥

Benchmark

CRISIL Ultra Short Term Debt Index	1.14% ¥¥
------------------------------------	----------

¥¥ Since scheme has not completed one year since inception scheme & benchmark returns are absolute returns.

1. AAuM = Average daily net assets
2. Gross income = amount against (A) in the Revenue account i.e. Income
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

Scheme launched during the current financial year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of period ended March 31, 2020 is NIL.
- 1.3. Investments in Associates and Group Companies :

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes
			2020
Shriram Transport Finance Company Ltd.	Corporate Bonds/Debentures	–	–
	Equities	–	–
Bharti Airtel Ltd.	Equities	–	594,575,759
Balrampur Chini Mills Ltd.	Equities	–	–
Thomas Cook (India) Ltd.	Equities	–	–

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of financial year ended March 31, 2020 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 is NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year March 31, 2020 is as follows:

Security Category	Amount (Rs.)	Percentage to Net Assets
	2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing		
– Appreciation	–	–
– Depreciation	1,491,750	0.03
Certificates of Deposit / Commercial Paper		
– Appreciation	1,485,004	0.03
– Depreciation	13,478,934	0.28

- 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 15,593,920,000 and Rs. 10,423,032,650 respectively being 1069.09% and 714.59% of the average daily net assets.
- 1.8. Non-Traded securities in the portfolio :

Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is as under:

Security Category	Fair Value (Rupees)	% to Net Assets
	2020	
Debt Instruments	503,209,750	10.58%
Money market Instruments	4,199,599,050	88.27%
Total	4,702,808,800	98.85%

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2020****2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.**

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	430.84	35.63	35,099	42.89

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL.

The brokerage paid was at rates similar to those offered to other distributors. The Commission / Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil.
- (ii) Devolvement - Nil.
- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil.
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil.

3 None of the Investors held more than 25% of the total net assets of the scheme at the period ended March 31, 2020.

4 Unit Capital movement during the period ended March 31, 2020**:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Growth Option	-	2,797,797.125	635,346.264	2,162,450.861	1,000
Regular Daily Dividend Option	-	1,045,763.484	465,211.913	580,551.571	1,000
Regular Weekly Dividend Option	-	274,973.657	173,760.784	101,212.873	1,000
Regular Monthly Dividend Option	-	304,116.106	65,519.227	238,596.879	1,000
Direct Plan- Growth Option	-	7,520,563.224	5,451,027.509	2,069,535.715	1,000
Direct Plan - Daily Dividend Option	-	132,990.167	1.500	132,988.667	1,000
Direct Plan - Weekly Dividend Option	-	40.211	-	40.211	1,000
Direct Plan - Monthly Dividend Option	-	879.058	-	879.058	1,000

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2020

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 5000.000.

- 5 As these are the first financial statements of the schemes since the date of launch, there are no prior period comparatives.
- 6 No contingent liabilities for the period ended March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other Income : Rs. Nil.

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Scheme launched during the current financial year

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Regular Savings Fund

An open ended hybrid Scheme investing predominantly in debt instruments

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and cursive.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Regular Savings Fund (HRSF)

(An open-ended hybrid scheme investing predominantly in debt instruments)

HRSF seeks to generate reasonable returns through investments in Debt and Money Market Instruments. The secondary objective of the scheme is to invest in equity and equity related instruments to seek capital appreciation. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HRSF amounted to Rs. 87.97 crores as at March 31, 2020 as compared to Rs. 127.72 crores as at March 31, 2019. Around 71.04% of the net assets were invested in debt and money market instruments, 19.72% of the net assets were invested in equities and 9.24% were in reverse repos/TREPS & net current assets as at March 31, 2020.

HRSF underperformed its benchmark over 1-year, 3-year and 5-year period but has outperformed since inception. This was largely due to higher weight of equity in the fund compared to benchmark weight of 15%. Equities has corrected sharply in the month of March' 2020 due to COVID-19 crisis. Equity overweight compare to benchmark led to the underperformance. Since 1-year underperformance is high, it has rolled over to underperformance over 3 and 5 year period as well. The AMC believes that equities will mean revert in medium term and that should also lead to performance coming back.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
	1 Year	3 Years	5 Years	Since Inception
Date of Inception : 24 February 2004				
HSBC Regular Savings Fund - Growth	-0.14	2.80	4.66	8.38
CRISIL Hybrid 85+15 - Conservative Index	6.44	6.78	7.86	8.06
CRISIL 1 Year T-Bill Index (Standard Benchmark)	7.44	6.91	7.11	6.16
CRISIL 10 Year Gilt Index (Standard Benchmark)	14.61	6.85	8.06	6.01
Rs. 10,000, if invested in HRSF, would have become	9,986	10,865	12,561	36,561
Rs. 10,000, if invested in CRISIL Hybrid 85+15 - Conservative Index, would have become	10,649	12,177	14,604	34,860
Rs. 10,000, if invested in CRISIL 1 Year T-Bill Index, would have become	10,750	12,222	14,103	26,195
Rs. 10,000, if invested in CRISIL 10 Year Gilt Index, would have become	11,461	12,198	14,731	25,615

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FILs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FILs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged

Trustees' Report

For the year ended March 31, 2020 (Contd...)

in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April 19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Regular Savings Fund	2,594,495.17	525	910,335.06	24

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Com-plaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall

Trustees' Report

For the year ended March 31, 2020 (Contd...)

complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Regular Savings Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Regular Savings Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud

Independent Auditors' Report (Contd...)

or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
3. As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non-traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	6,138.38
	4,347.44	
2	Reserves & Surplus	
2.1	Unit Premium Reserves	228.02
	(16.21)	
2.2	Unrealised Appreciation Reserve	453.90
	20.21	
2.3	Other Reserves	5,951.42
	4,443.68	
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
	-	
4.2	Other Current Liabilities & Provisions	85.53
	60.19	
	8,855.31	12,857.25
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	3,095.06
	1,736.74	
1.1.2	Preference Shares	-
	-	
1.1.3	Equity Linked Debentures	-
	-	
1.1.4	Other Debentures & Bonds	6,158.82
	1,983.94	
1.1.5	Securitised Debt Securities	-
	-	
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
	-	
1.2.2	Preference Shares	-
	-	
1.2.3	Equity Linked Debentures	-
	-	
1.2.4	Other Debentures & Bonds	-
	-	
1.2.5	Securitised Debt Securities	-
	-	
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
	-	
1.3.2	Preference Shares	-
	-	
1.3.3	Equity Linked Debentures	-
	-	
1.3.4	Other Debentures & Bonds	246.83
	249.54	
1.3.5	Securitised Debt Securities	-
	-	
1.4	Government Securities	2,606.04
	3,344.59	
1.5	Treasury Bills	-
	-	
1.6	Commercial Paper	-
	-	
1.7	Certificate of Deposits	186.70
	670.27	
1.8	Bill Rediscounting	-
	-	
1.9	Units of Domestic Mutual Fund	-
	-	
1.10	Foreign Securities	-
	-	
	7,985.08	12,293.45
2	Deposits	13.87
	16.54	
3	Other Current Assets	
3.1	Cash & Bank Balance	0.80
	5.94	
3.2	TREPS/Reverse Repo Lending	42.20
	707.15	
3.3	Others	506.93
	140.60	
4	Deferred Revenue Expenditure (to the extent not written off)	-
	-	
	8,855.31	12,857.25

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	25.43	50.27
1.2	Interest	581.99	987.47
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	263.06	672.98
1.6	Realised Gains/(Losses) on Derivative Transactions	-	-
1.7	Other Income	2.68	1.04
	(A)	873.16	1,711.76
2	EXPENSES		
2.1	Management Fees	128.24	227.84
2.2	GST on Management Fees	23.09	41.01
2.3	Transfer Agents Fees and Expenses	4.98	9.05
2.4	Custodian Fees	0.42	0.72
2.5	Trusteeship Fees	0.95	0.82
2.6	Commission to Agents	74.66	128.55
2.7	Marketing & Distribution Expenses	0.57	-
2.8	Audit Fees	0.66	0.61
2.9	Investor Education Expenses	2.12	3.39
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	2.73	3.68
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	(0.01)
	(B)	238.42	415.66
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR	(C = A - B)	634.74
4	Change in Unrealised Depreciation in Value of Investments	(D)	(140.33)
5	NET GAINS/(LOSSES) FOR THE YEAR	(E = C + D)	494.41
6	Change in Unrealised Appreciation in Value of Investments	(F)	(433.69)
7	NET SURPLUS/(DEFICIT) FOR THE YEAR	(G = E + F)	60.72
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	433.69	765.04
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3	Add/(Less) : Equalisation	(1,811.52)	(3,815.29)
7.4	Transfer from Reserve Fund	5,951.42	8,794.96
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	4,634.31	6,384.13
9	Dividend Appropriation		
9.1	Income Distributed during the Year	(137.14)	(311.42)
9.2	Tax on Income Distributed during the Year	(53.49)	(121.29)
10	Retained Surplus/(Deficit) Carried Forward to Balance Sheet	4,443.68	5,951.42

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	36.6132	34.8488
Monthly Dividend Option	12.2142	12.6799
Quarterly Dividend Option	13.2962	12.6555
Direct Plan - Growth Option	37.8409	35.8400
Direct Plan - Monthly Dividend Option	15.4112	15.8556
Direct Plan - Quarterly Dividend Option	13.2385	13.6223
High		
Growth Option	39.3736	36.6081
Monthly Dividend Option	12.3795	12.8811
Quarterly Dividend Option	14.2986	13.2943
Direct Plan - Growth Option	41.2572	37.8347
Direct Plan - Monthly Dividend Option	15.7015	16.1085
Direct Plan - Quarterly Dividend Option	13.5892	13.8395
Low		
Growth Option	35.2165	34.0217
Monthly Dividend Option	10.9938	11.7836
Quarterly Dividend Option	12.7890	12.3551
Direct Plan - Growth Option	36.9761	35.0815
Direct Plan - Monthly Dividend Option	13.9797	14.8774
Direct Plan - Quarterly Dividend Option	12.1693	12.7931
End		
Growth Option	36.5567	36.6132
Monthly Dividend Option	11.3521	12.2142
Quarterly Dividend Option	13.2757	13.2962
Direct Plan - Growth Option	38.3999	37.8409
Direct Plan - Monthly Dividend Option	14.4354	15.4112
Direct Plan - Quarterly Dividend Option	12.4332	13.2385
2. Closing Assets Under Management (Rs. in Lakhs)		
End	8,797	12,772
Average (AAuM) ¹	10,604	16,967
3. Gross income as % of AAuM ²		
	8.23%	10.09%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Growth Option	2.27%	2.49%
Direct Plan - Growth Option	0.72%	1.99%

Key Statistics for the year ended March 31, 2020 *(Contd...)*

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
b. Management Fee as % of AAuM (planwise)		
Growth Option	1.22%	1.34%
Direct Plan - Growth Option	0.50%	1.34%
5. Net Income as a percentage of AAuM ³	5.99%	7.64%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Monthly Dividend Option	0.6266	0.7635
Quarterly Dividend Option	-	-
Direct Plan - Monthly Dividend Option	0.8284	0.9148
Direct Plan - Quarterly Dividend Option	0.6843	0.7924
Corporate		
Monthly Dividend Option	0.5803	0.7070
Quarterly Dividend Option	-	-
Direct Plan - Monthly Dividend Option	0.7671	0.8471
Direct Plan - Quarterly Dividend Option	0.6337	0.7337
8. Returns (%):		
a. Last One Year		
Scheme		
Growth Option	(0.1400)	5.0568
Direct Plan - Growth Option	1.4800	5.5743
Benchmark		
CRISIL Hybrid 85+15- Conservative index	6.4400	7.6500
b. Since Inception		
Scheme		
Growth Option	8.3800	8.9732
Direct Plan - Growth Option	7.5500	8.5637
Benchmark		
CRISIL Hybrid 85+15- Conservative index	8.0600	8.1700

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.3. Investments in Associates and Group Companies as of years ended March 31, 2020 and March 31, 2019:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		March 31, 2020		March 31, 2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	-	-	-	740,203,250
	Equities	-	-	9,529,293	194,922,114
Bharti Airtel Ltd.	Equities	1,871,540	594,575,759	-	356,482
Balrampur Chini Mills Ltd.	Equities	-	-	-	17,018,040
Thomas Cook (India) Ltd.	Equities	-	-	-	132,485,094

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of financial years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years 2020 and 2019 and their percentage to net assets are as under :

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	March 31, 2020		March 31, 2019	
Equity Shares				
- Appreciation	24,521,779	2.79	72,212,895	5.65
- Depreciation	37,508,408	4.26	32,141,300	2.52
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
- Appreciation	133,523	0.02	7,601,303	0.60
- Depreciation	1,179,711	0.13	2,773,955	0.22
Government Securities				
- Appreciation	1,239,374	0.14	3,481,701	0.27
- Depreciation	163,314	0.02	3,014,752	0.24
Commercial Paper / Certificate of Deposit				
- Appreciation	945,187.60	0.11	24,270	~0.00
- Depreciation	-	-	-	-

~ Indicates less than 0.01

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

- 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 2,865,628,224 and Rs. 3,266,958,662 being 269.51% and 307.26% of the average daily net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-19 (excluding accretion of discount) are Rs. 4,890,525,768 and Rs. 5,878,171,184 being 288.24% and 346.46% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Equities	–	–	–	–
Debt Instruments	163,371,360	18.57%	640,564,498	50.15%
Money Market Instruments	–	–	18,670,460	1.46%
Total	163,371,360	18.57%	659,234,958	51.62%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	0.84	8.26	2,344,616	38.47

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	4.80	39.66	5,398,725	46.61

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020	0.54	0.01	6,443.08	0.71

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.] (on accrual basis)	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2018-2019	Nil			

The brokerage paid was at rates similar to those offered to other brokers/distributors. The Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
 - 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	20,681,264.640	465,456.242	6,880,100.985	14,266,619.897	10
Monthly Dividend Option	26,522,140.591	3,029,185.328	10,696,476.775	18,854,849.144	10
Quarterly Dividend Option	13,747,408.247	9,904.903	3,761,430.042	9,995,883.108	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Direct Plan - Growth Option	293,432.761	54,235.683	93,422.100	254,246.344	10
Direct Plan - Monthly Dividend Option	128,214.279	12,692.688	48,780.160	92,126.807	10
Direct Plan - Quarterly Dividend Option	11,367.778	373.885	1,056.921	10,684.742	10

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Growth Option	34,906,626.471	1,703,400.087	15,928,761.918	20,681,264.640	10
Monthly Dividend Option	61,805,345.824	612,348.791	35,895,554.024	26,522,140.591	10
Quarterly Dividend Option	19,805,876.411	43,713.025	6,102,181.189	13,747,408.247	10
Direct Plan - Growth Option	508,037.700	19,840.360	234,445.299	293,432.761	10
Direct Plan - Monthly Dividend Option	104,392.910	23,821.369	-	128,214.279	10
Direct Plan - Quarterly Dividend Option	11,950.441	478.117	1,060.780	11,367.778	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 170,321.192 & as on March 31, 2019 is 170,321.192.

5 Prior year amounts have been re-grouped/re-arranged where necessary.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Other income: Rs. 267,891/- represents exit load (net of GST) credited to the scheme (2019: Rs. 103,894/-).

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

10 Garnishee Notice from Income Tax Authorities

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores.

Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year.

Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT.

The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th Feb 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter was scheduled on April 17, 2020. However, due to the COVID 19 pandemic situation, the hearing scheduled on 17th April 2020 is getting auto adjourned.

- 11 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

- 12 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Equity Hybrid Fund

Aggressive Hybrid fund – An open ended hybrid scheme investing predominantly in equity and equity related instruments

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and cursive.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Equity Hybrid Fund (HEHF)@

(An open ended hybrid scheme investing predominantly in equity and equity related instruments)

HEHF seeks to provide long term capital growth and income through investments in equity and equity related securities and fixed income instruments. However, there is no assurance that the investment objective of the Scheme will be achieved.

The net assets of HEHF amounted to Rs. 483.22 crores as at March 31, 2020 as compared to Rs 647.54 crore as on March, 31 2019. Around 70.85% of the net assets were invested in equities, 22.41% were invested in Debt and money market securities, 6.55% of the net assets were invested in reverse repos/TREPS and 0.19% in net current assets as at March 31, 2020. The inception date of the scheme is October 22, 2018.

HEHF was launched in October 2018. HEHF is an asset allocation product with a mix of equity and debt, falling in the aggressive category of equity hybrid schemes. The fund's mandate provides flexibility to have an equity allocation between 65 – 80% of the portfolio while debt exposure will range between 20 – 35%. The fund has outperformed its benchmark over a 1 year as well as since inception. The equity allocation in the fund stood at 70.85% as of 31 March 2020. In the 1-year period, the equity performance (compared to equity benchmark) of the fund has been driven by stock selection in Materials, Financials and Consumer Discretionary sectors, in that order. The equity portion follows a multi-cap strategy. The AMC is positive on the theme of profit pool migration and consolidation visible across and within sectors. So as a result, the AMC would be focusing on market leaders or dominant companies in sectors across the market capitalization spectrum. The AMC is of the view that the COVID-19 impact would further drive disruption across sectors and this would lead to acceleration in the profit pool consolidation theme already visible across sectors. The COVID-19 disruption would not be uniform across sectors with certain sectors/companies turning out to be beneficiaries of the disruption while others getting adversely impacted. The AMC would be cognizant of this evolving trend and allocate money to sectors/companies who are likely to emerge positively from the disruption. The fund's equity allocation will be oriented towards capturing the profit pool consolidation theme from a medium to long term perspective. However, in the short term, the pandemic has created a lot of uncertainty especially regarding the FY21 economic impact and on corporate performance. As a result, the AMC is more positive on sectors that exhibit revenue and earnings resilience as the impact of COVID-19 and the resultant lockdown in the economy is not uniform across sectors. Our overweight stance on Consumer Staples, Healthcare and Telecommunication sectors capture this view. The AMC is also positive on the beneficiaries of the global supply chain diversification, away from China. In the short to medium term, the AMC believes that private sector capex as well as government capex will get delayed and it holds negative view on the sectors that are dependent on capex. It also has a negative view on labour intensive sectors such as construction, travel, hospitality etc.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Bond markets remained volatile over the year. In the first half of the year, stable crude prices along with very low inflation, including core inflation, led to RBI cutting rates thrice till August of 2019. This resulted in GOI 10-year benchmark security moving to a peak of 7.40 at the beginning of the year hit a low of 6.25 in July-August 2019. RBI support by way of incremental rate cut of 110bps and liquidity infusion, 10 year closed at 6.15 levels in March 2020. HEHF Outperformed its scheme's benchmark for 1 year as fund was overweight index and also focused on quality credits which witnessed highest spread compression.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
	1 Year	3 Years	5 Years	Since Inception
Date of Inception : 22 October 2018				
HSBC Equity Hybrid Fund - Growth	-15.47	NA	NA	-5.58
CRISIL Composite Bond Fund Index (30%) and S&P BSE 200 TRI (70%) (Scheme Benchmark)	-18.09	NA	NA	-6.05
Nifty 50 TRI (Standard Benchmark)	-24.85	NA	NA	-10.34
10,000, if invested in HEHF, would have become	8,441	NA	NA	9,206
10,000, if invested in CRISIL Composite Bond Fund Index (30%) and S&P BSE 200 TRI (70%) , would have become	8,178	NA	NA	9,140
10,000, if invested in Nifty 50 TRI, would have become	7,497	NA	NA	8,545

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FII had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FII ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April 19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched

Trustees' Report

For the year ended March 31, 2020 (Contd...)

a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Nil.

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through

Trustees' Report

For the year ended March 31, 2020 (Contd...)

the enhancement of the Interactive Voice Reponses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

10. STATUTORY DETAILS

- a) The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- b) The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- c) Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Equity Hybrid Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Equity Hybrid Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net deficit for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that

Independent Auditors' Report (Contd...)

is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
3. As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	
	52,474.88	59,372.77
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(59.74)
2.2	Unrealised Appreciation Reserve	4,892.81
2.3	Other Reserves	547.65
	(3,523.75)	
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	333.85
	344.33	
	TOTAL	65,087.34
	48,667.03	65,087.34
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	47,754.00
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	15,858.17
1.1.5	Securitised Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitised Debt Securities	-
1.4	Government Securities	-
	1,472.92	
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
	984.57	
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	63,612.17
	45,073.87	63,612.17
2	Deposits	9.29
	6.74	
3	Other Current Assets	
3.1	Cash & Bank Balance	15.98
3.2	TREPS/Reverse Repo Lending	1,222.31
3.3	Others	227.59
	416.95	
4	Deferred Revenue Expenditure (to the extent not written off)	-
	-	
	TOTAL	65,087.34
	48,667.03	65,087.34

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	550.71	223.34
1.2 Interest	1,253.72	798.43
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	1,257.62	161.17
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	32.28	28.58
(A)	3,094.33	1,211.52
2 EXPENSES		
2.1 Management Fees	608.18	259.38
2.2 GST on Management Fees	109.47	46.69
2.3 Transfer Agents Fees and Expenses	77.76	35.51
2.4 Custodian Fees	7.35	3.44
2.5 Trusteeship Fees	1.82	0.50
2.6 Commission to Agents	689.80	300.78
2.7 Marketing & Distribution Expenses	0.73	0.06
2.8 Audit Fees	3.64	2.82
2.9 Investor Education Expenses	12.63	5.48
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	14.55	8.48
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	(0.05)
(B)	1,525.93	663.09
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	1,568.40	548.43
4 Change in Unrealised Depreciation in Value of Investments (D)	(5,514.02)	-
5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	(3,945.62)	548.43
6 Change in Unrealised Appreciation in Value of Investments (F)	(4,760.57)	4,892.81
7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	(8,706.19)	5,441.24
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	4,760.57	-
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	(4,892.81)
7.3 Add/(Less) : Equalisation	(125.78)	(0.78)
7.4 Transfer from Reserve Fund	547.65	-
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	(3,523.75)	547.65
9 Dividend Appropriation		
9.1 Income Distributed during the Year	-	-
9.2 Tax on Income Distributed during the Year	-	-
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	(3,523.75)	547.65

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	10.9059	N.A.
Regular Plan Dividend Option	10.9059	N.A.
Direct Plan - Growth Option	10.9671	N.A.
Direct Plan - Dividend Option	10.9671	N.A.
High		
Regular Plan Growth Option	11.7763	10.9061
Regular Plan Dividend Option	11.7763	10.9061
Direct Plan - Growth Option	11.9912	10.9665
Direct Plan - Dividend Option	11.9831	10.9665
Low		
Regular Plan Growth Option	8.4791	9.8270
Regular Plan Dividend Option	8.4791	9.8270
Direct Plan - Growth Option	8.6455	9.8287
Direct Plan - Dividend Option	8.6392	9.8287
End		
Regular Plan Growth Option	9.2063	10.9059
Regular Plan Dividend Option	9.2063	10.9059
Direct Plan - Growth Option	9.3902	10.9671
Direct Plan - Dividend Option	9.3831	10.9671
2. Closing Assets Under Management (Rs. in Lakhs)		
End	48,322	64,754
Average (AAuM) ¹	63,173	62,141
3. Gross income as % of AAuM ²		
	4.90%	4.42%
4. Expense Ratio:		
a. Total Expense as % of AAuM (Including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.43%	2.43%
Direct Plan	1.01%	1.16%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.96%	0.95%
Direct Plan	0.70%	0.95%
5. Net Income as a percentage of AAuM ³		
	2.48%	2.00%
6. Portfolio turnover ratio ⁴		
	1.33	0.37
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan Dividend Option	-	-

Key Statistics for the period ended March 31, 2019 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Dividend Option	-	-
Corporate		
Regular Plan Dividend Option	-	-
Direct Plan - Dividend Option	-	-
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	(15.4700)	N.A.
Direct Plan - Growth Option	(14.2700)	N.A.
Benchmark		
A customized index with 70% weight to S&P BSE 200 and 30% weight to CRISIL Composite Bond Fund Index.	(18.0900)	N.A.
b. Since Inception		
Scheme		
Regular Plan Growth Option	(5.5800)	9.0610
Direct Plan - Growth Option	(4.2700)	9.6650
Benchmark		
A customized index with 70% weight to S&P BSE 200 and 30% weight to CRISIL Composite Bond Fund Index.	(6.0500)	11.0300

1. AAuM = Average daily net assets.
2. Gross income = amount against (A) in the Revenue Account i.e. Income.
3. Net income = amount against (C) in the Revenue Account i.e. Net Realised Gains/(Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies are as under :

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	147,426,750	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	116,727,301	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 is NIL.
- 1.5. Investments in below investment grade and default / Securities in default beyond its maturity date as on March 31st 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Years March 31, 2020 and March 31, 2019 and percentage to net assets are as under:

Company Name	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Equity Shares				
– Appreciation	95,559,134	1.98	548,235,553	8.47
– Depreciation	646,961,621	13.39	81,575,659	1.26
Non-Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	13,353,050	0.28	22,621,312	0.35
– Depreciation	1,470,450	0.03	–	–
Government Securities				
– Appreciation	999,095	0.02	–	–
– Depreciation	59,064	0.00	–	–
Certificate of Deposit / Commercial Papers				
– Appreciation	401,200	0.01	–	–
– Depreciation	–	–	–	–

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) is Rs. 8,400,639,592 and Rs. 9,365,016,281 respectively being 132.98% and 148.24% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-19 (excluding accretion of discount) is Rs. 8,398,393,300 and Rs. 2,545,935,096 respectively being 135.15% and 40.97% of the average daily net assets.

- 1.8. **Non-Traded securities in the portfolio:** Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is as under :

Security Category	Fair Value (Rupees)	Percentage to Net Assets	Fair Value (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	529,357,330	10.95	1,585,816,810	24.49
Total	529,357,330	10.95	1,585,816,810	24.49

- 2 **Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.**

During the year 2019-20, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

During the year 2018-19, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	58.32	47.62	43,508,910	71.82

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	528.93	83.45	15,616,630	55.49

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transactions of the Fund	Brokerage paid [Rs.]	% of total brokerage paid by the Fund
HSBC Securities & Capital Markets (India) Private Limited	Sponsor	2019-2020	5.85	0.35	70,235.98	2.88

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transactions of the Fund	Brokerage paid [Rs.]	% of total brokerage paid by the Fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2018-2019	807.73	3.32	5,598,535.44	5.08

The brokerage paid was at rates similar to those offered to other brokers/distributors. And the Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Growth Option	547,269,947.708	88,441,075.256	152,822,638.700	482,888,384.264	10
Dividend Option	42,814,335.129	8,244,924.036	16,065,194.112	34,994,065.053	10
Direct Plan - Growth Option	3,601,794.921	3,296,189.375	185,770.091	6,712,214.205	10
Direct Plan - Dividend Option	41,649.850	121,567.849	9,118.801	154,098.898	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Growth Option	-	580,631,518.308	33,361,570.600	547,269,947.708	10
Dividend Option	-	46,053,469.624	3,239,134.495	42,814,335.129	10
Direct Plan - Growth Option	-	3,619,497.720	17,702.799	3,601,794.921	10
Direct Plan - Dividend Option	-	42,905.867	1,256.017	41,649.850	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 500,000 & as on March 31, 2019 is 500,000

- 5 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income of Rs. 32,28,554/- represents Exit load (net of GST) credited to the scheme. (2019 : Rs. 28,57,496/- represents Exit load (net of GST) credited to the scheme).
- 8 Previous year figures have been re-grouped/re-arranged where necessary.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Managed Solutions

An open ended fund of fund Scheme investing in a basket of equity, debt, Gold and other Exchange Traded Funds

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and cursive.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Managed Solution (HMS)

(An open ended fund of fund scheme investing in a basket of equity, debt, Gold and other Exchange Traded Funds)

HMS seeks to provide long term total return primarily by seeking capital appreciation through an active asset allocation with diversification commensurate with the risk profile of investments by investing predominantly in units of equity mutual funds as well as in a basket of debt mutual funds, gold exchange traded funds (ETFs) and other ETFs, offshore mutual funds and money market instruments.

The Scheme has three plans – Conservative Plan, Growth Plan and the Moderate Plan. The plans under the Scheme will invest predominantly in schemes of HSBC Mutual Fund, units of third party domestic mutual funds, units of offshore equity oriented funds managed by HSBC Global Asset Management, gold ETFs and other ETFs of third parties until such time that the Fund doesn't have such scheme offerings.

The net assets of HMS – Conservative Plan amounted to Rs. 114.91 crores as at March 31, 2020 as compared to Rs. 172.11 crores as at March 31, 2019. Around 100.85% of the net assets was invested in mutual fund schemes, (-0.85%) of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2020. The net assets of HMS – Growth Plan amounted to Rs. 51.15 crores as at March 31, 2020 as compared to Rs. 101.48 crores as at March 31, 2019. Around 96.59% of the net assets were invested in Mutual fund schemes, 3.41% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2020. The net assets of HMS – Moderate Plan amounted to Rs. 93.46 crores as at March 31, 2020 as compared to Rs. 177.68 crores as at March 31, 2019. Around 99.14% of the net assets were invested in mutual fund schemes, 0.86% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2020.

The performance of HMS – Growth Plan is benchmarked against Composite Index constituting 80% of BSE 200 Index and 20% of CRISIL Composite Bond Index, while the performance of HMS – Moderate Plan is benchmarked against CRISIL Balanced Fund Index. The performance of HMS – Conservative Plan is benchmarked against Composite Index constituting of 90% into CRISIL Composite Bond Index and 10% of BSE 200 Index. All three sleeves underperformed due to allocation to fixed income, particularly the exposure in Short Duration Fund which had a defaulted security. Alongside, equity asset class underperformed was driven by allocation towards Small Cap Fund which has underperformed as small caps have underperformed large caps last year.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
	1 Year	3 Years	5 Years	Since Inception
Date of Inception : 30 April 2014				
HSBC Managed Solutions - Growth	-20.46	-3.11	2.22	6.16
Customised Benchmark Index Fund (Scheme Benchmark)*	-20.71	-0.56	2.77	7.03
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56	5.67
CRISIL 10 Year Gilt Index (Standard Benchmark)	14.55	6.85	8.06	9.14
10,000, if invested in HMSG, would have become	7,939	9,095	11,162	14,249
10,000, if invested in Customised Benchmark Index, would have become	7,914	9,833	11,466	14,954
10,000, if invested in CRISIL 10 Year Gilt Index, would have become	7,497	9,759	10,806	13,864
10,000, if invested in Nifty 50 TRI, would have become	11,468	12,201	14,740	16,788

*Composite index of S&P BSE 200 TRI (80%) and Crisil Composite Bond Fund Index (20%).

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
	1 Year	3 Years	5 Years	Since Inception
Date of Inception : 30 April 2014				
HSBC Managed Solutions - Moderate	-15.42	-1.24	3.33	6.45
CRISIL Hybrid 35+65 - Aggressive Index (Scheme Benchmark)	-12.84	1.88	4.54	8.00
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56	5.67
CRISIL 10 Year Gilt Index (Standard Benchmark)	14.55	6.85	8.06	9.14
10,000, if invested in HMSM, would have become	8,446	9,632	11,782	14,481
10,000, if invested in CRISIL Hybrid 35+65 would have become	8,706	10,575	12,489	15,775
10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	13,864
10,000, if invested in CRISIL 10 Year Gilt Index, would have become	11,468	12,201	14,740	16,788

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
	1 Year	3 Years	5 Years	Since Inception
Date of Inception : 30 April 2014				
HSBC Managed Solutions - Conservative	2.43	4.68	5.85	7.37
Customised Benchmark Index Fund (Scheme Benchmark)*	6.16	6.67	7.73	9.23
Nifty 50 (Standard Benchmark)	-24.85	-0.81	1.56	5.67
CRISIL 10 Year Gilt Index (Standard Benchmark)	14.55	6.85	8.06	9.14
10,000, if invested in HMSC, would have become	10,245	11,472	13,292	15,238
10,000, if invested in Customised Benchmark Index, would have become	10,621	12,140	14,516	16,870
10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	13,864
10,000, if invested in CRISIL 10 Year Gilt Index, would have become	11,468	12,201	14,740	16,788

Trustees' Report

For the year ended March 31, 2020 (Contd...)

*Composite index of CRISIL Composite Bond Fund Index (90%) and S&P BSE200 TRI (10%).

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FILs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FILs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged

Trustees' Report

For the year ended March 31, 2020 (Contd...)

in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinancing pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to

Trustees' Report

For the year ended March 31, 2020 (Contd...)

address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Managed Solutions - Growth	Nil	Nil	89,088.78	1

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2020 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating

Trustees' Report

For the year ended March 31, 2020 (Contd...)

"D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Managed Solutions India - Growth

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Managed Solutions India - Growth** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Managed Solutions India - Moderate

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Managed Solutions India - Moderate** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Managed Solution India - Conservative

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Managed Solutions India - Conservative** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

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As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

HSBC MANAGED SOLUTIONS INDIA – GROWTH		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	3,557.30
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(1,221.56)
2.2	Unrealised Appreciation Reserve	432.71
2.3	Other Reserves	2,310.53
3	Loans & Borrowings	–
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	–
4.2	Other Current Liabilities & Provisions	152.48
	TOTAL	5,231.46
		10,220.03
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	–
1.1.2	Preference Shares	–
1.1.3	Equity Linked Debentures	–
1.1.4	Other Debentures & Bonds	–
1.1.5	Securitised Debt Securities	–
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	–
1.2.2	Preference Shares	–
1.2.3	Equity Linked Debentures	–
1.2.4	Other Debentures & Bonds	–
1.2.5	Securitised Debt Securities	–
1.3	Unlisted Securities:	
1.3.1	Equity Shares	–
1.3.2	Preference Shares	–
1.3.3	Equity Linked Debentures	–
1.3.4	Other Debentures & Bonds	–
1.3.5	Securitised Debt Securities	–
1.4	Government Securities	–
1.5	Treasury Bills	–
1.6	Commercial Paper	–
1.7	Certificate of Deposits	–
1.8	Bill Rediscounting	–
1.9	Units of Domestic Mutual Fund	5,050.71
1.10	Foreign Securities	10,074.37
	Total Investments	5,050.71
		10,074.37
2	Deposits	1.50
3	Other Current Assets	
3.1	Cash & Bank Balance	0.06
3.2	TREPS/Reverse Repo Lending	103.38
3.3	Others	75.81
4	Deferred Revenue Expenditure (to the extent not written off)	–
	TOTAL	5,231.46
		10,220.03

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

		HSBC MANAGED SOLUTIONS INDIA – GROWTH	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	4.81	11.48
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	–	–
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	–	–
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	1,119.05	1,659.50
1.6	Realised Gains/(Losses) on Derivative Transactions	–	–
1.7	Other Income	0.63	2.28
	(A)	1,124.49	1,673.26
2	EXPENSES		
2.1	Management Fees	6.41	–
2.2	GST on Management Fees	1.15	–
2.3	Transfer Agents Fees and Expenses	4.78	9.31
2.4	Custodian Fees	1.64	1.72
2.5	Trusteeship Fees	0.25	0.41
2.6	Commission to Agents	24.18	93.64
2.7	Marketing & Distribution Expenses	0.11	–
2.8	Audit Fees	0.38	0.53
2.9	Investor Education Expenses	1.69	2.85
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	1.83	3.84
2.12	Less : Expenses to be Reimbursed by the Investment Manager **	–	(25.44)
	(B)	42.42	86.86
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	1,082.07
4	Change in Unrealised Depreciation in Value of Investments	(D)	–
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	1,082.07
6	Change in Unrealised Appreciation in Value of Investments	(F)	(2,494.15)
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	398.14
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	2,494.15	1,188.26
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	–	–
7.3	Add/(Less) : Equalisation	(1,098.03)	(973.81)
7.4	Transfer from Reserve Fund	2,326.49	1,713.90
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	2,310.53	2,326.49
9	Dividend Appropriation		
9.1	Income Distributed during the Year	–	–
9.2	Tax on Income Distributed during the Year	–	–
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	2,310.53	2,326.49

Notes to Accounts - Annexure I

** Expenses borne by the investment Manager for the period prior to 22-Oct-2018

Key Statistics for the year ended March 31, 2020

HSBC MANAGED SOLUTIONS INDIA – GROWTH		
	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	17.9487	17.2193
Regular Plan Dividend Option	17.9487	17.2193
Direct Plan - Growth Option	18.1888	17.4025
Direct Plan - Dividend Option	18.1888	17.4025
High		
Regular Plan Growth Option	18.9716	18.4153
Regular Plan Dividend Option	18.9716	18.4153
Direct Plan - Growth Option	19.2819	18.6320
Direct Plan - Dividend Option	19.2819	18.6320
Low		
Regular Plan Growth Option	13.0740	15.9602
Regular Plan Dividend Option	13.0740	15.9602
Direct Plan - Growth Option	13.2933	16.1550
Direct Plan - Dividend Option	13.2933	16.1550
End		
Regular Plan Growth Option	14.2510	17.9487
Regular Plan Dividend Option	14.2510	17.9487
Direct Plan - Growth Option	14.4912	18.1888
Direct Plan - Dividend Option	14.4912	18.1888
2. Closing Assets Under Management (Rs. in Lakhs)		
End	5,115	10,148
Average (AAuM) ¹	8,469	14,247
3. Gross income as % of AAuM ²		
	13.28%	11.74%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	0.53%	0.71%
Direct Plan	0.19%	0.44%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.08%	0.00%
Direct Plan	0.05%	0.00%
5. Net Income as a percentage of AAuM ³ *		
	12.78%	11.14%
6. Portfolio turnover ratio ⁴		
	0.06	0.08
7. Total Dividend per unit distributed during the period (planwise)		
Retail		
Regular Plan Dividend Option	–	–
Direct Plan - Dividend Option	–	–

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC MANAGED SOLUTIONS INDIA – GROWTH

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
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Corporate

Regular Plan Dividend Option	–	–
Direct Plan - Dividend Option	–	–

8. Returns (%):

a. Last One Period

Scheme

Regular Plan Growth Option	(20.4600)	4.2246
Direct Plan - Growth Option	(20.1800)	4.5062

Benchmark

Composite Index constituting 80% of BSE 200 Index and 20% of CRISIL Composite Bond Index	(20.7100)	11.4000
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b. Since Inception

Scheme

Regular Plan Growth Option	6.1600	12.6388
Direct Plan - Growth Option	6.4600	12.9433

Benchmark

Composite Index constituting 80% of BSE 200 Index and 20% of CRISIL Composite Bond Index	7.0300	13.8300
--	---------------	---------

1. AAuM = Average daily net assets
2. Gross income = amount against (A) in the Revenue account i.e. Income
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the period
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.
6. The Total management fees and other expenses charged by the mutual fund(s) in foreign countries along with the management fee and recurring expenses charged to the domestic mutual fund is as follows:

Scheme	TER charged by underlying Fund	TER of the domestic Fund	Weighted Average TER	Maximum TER Cap as per circular
2019-20				
HSBC Managed Solutions India-Growth	1.31%	0.50%	1.81%	2.05% from 01-April-2019
2018-19				
HSBC Managed Solutions India-Growth	1.57%	0.61%	2.18%	2.70% up to 29-May-2018 and 2.55% from 30-May-2018

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

HSBC MANAGED SOLUTIONS INDIA – GROWTH

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 & March 31, 2019 are NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the years ended March 31, 2020 & March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Units in Domestic Mutual Fund				
– Appreciation	59,292,635	11.59	292,686,569	28.84
– Depreciation	16,021,269	3.13	–	–

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2019-2020 (excluding accretion of discount) is Rs. 47,500,000 and 423,358,515 respectively being 5.61% and 49.99% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2018-2019 (excluding accretion of discount) is Rs. 117,500,000 and 702,994,895 respectively being 8.25% and 49.34% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2020 & March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 As Amended.**Commission paid to Sponsor/AMC and its associates/related parties/group companies**

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	0.80	53.78	2,020,165	95.76

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	14.42	73.43	7,363,363	91.84

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also Nil)

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 & March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	49,174,038.445	261,165.550	20,337,419.178	29,097,784.817	10
Regular Plan Dividend Option	3,350,429.861	223,774.920	1,045,818.792	2,528,385.989	10
Direct Plan - Growth Option	3,955,257.296	28,453.112	44,440.577	3,939,269.831	10
Direct Plan - Dividend Option	7,650.859	1,143.352	1,274.084	7,520.127	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	77,994,400.315	8,069,807.909	36,890,169.779	49,174,038.445	10
Regular Plan Dividend Option	8,856,545.488	500,598.990	6,006,714.617	3,350,429.861	10
Direct Plan - Growth Option	4,041,997.511	653,461.885	740,202.100	3,955,257.296	10
Direct Plan - Dividend Option	35,533.355	274.084	28,156.580	7,650.859	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2020 is 377,569.065 & as on 31/03/2019 is 377,569.065

- 5 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income represents exit load credited to the scheme is Rs. 63,169. (2019 : 228,216).
- 8 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2018-19	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.
- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

HSBC MANAGED SOLUTIONS INDIA – MODERATE		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	10,365.40
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(519.67)
2.2	Unrealised Appreciation Reserve	1,032.63
2.3	Other Reserves	3,432.28
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	160.57
	TOTAL	17,928.98
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	-
1.1.5	Securitised Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitised Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	17,738.73
1.10	Foreign Securities	-
	Total Investments	17,738.73
2	Deposits	2.10
3	Other Current Assets	
3.1	Cash & Bank Balance	0.03
3.2	TREPS/Reverse Repo Lending	158.83
3.3	Others	29.29
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	17,928.98

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

		HSBC MANAGED SOLUTIONS INDIA – MODERATE	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	8.52	21.20
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	1,850.10	2,262.96
1.6	Realised Gains/(Losses) on Derivative Transactions	-	-
1.7	Other Income	0.03	7.08
	(A)	1,858.65	2,291.24
2	EXPENSES		
2.1	Management Fees	17.30	-
2.2	GST on Management Fees	3.11	-
2.3	Transfer Agents Fees and Expenses	7.96	15.69
2.4	Custodian Fees	1.67	1.80
2.5	Trusteeship Fees	0.40	0.68
2.6	Commission to Agents	67.63	164.75
2.7	Marketing & Distribution Expenses	0.17	-
2.8	Audit Fees	0.71	0.87
2.9	Investor Education Expenses	2.81	4.79
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	2.80	5.99
2.12	Less : Expenses to be Reimbursed by the Investment Manager **	-	(29.02)
	(B)	104.56	165.55
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	1,754.09
4	Change in Unrealised Depreciation in Value of Investments	(D)	-
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	1,754.09
6	Change in Unrealised Appreciation in Value of Investments	(F)	(3,580.88)
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	673.76
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	3,580.88	1,451.93
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3	Add/(Less) : Equalisation	(1,630.98)	(1,333.55)
7.4	Transfer from Reserve Fund	3,309.17	2,517.03
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	3,432.28	3,309.17
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	3,432.28	3,309.17

Notes to Accounts - Annexure I

** Expenses borne by the investment Manager for the period prior to 22-Oct-2018

Key Statistics for the year ended March 31, 2020

HSBC MANAGED SOLUTIONS INDIA – MODERATE		
	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	17.1410	16.3670
Regular Plan Dividend Option	17.1410	16.3670
Direct Plan - Growth Option	17.3532	16.5281
Direct Plan - Dividend Option	10.4244	9.9277
High		
Regular Plan Growth Option	18.0444	17.3116
Regular Plan Dividend Option	18.0444	17.3116
Direct Plan - Growth Option	18.3611	17.5000
Direct Plan - Dividend Option	10.7070	10.5117
Low		
Regular Plan Growth Option	13.4524	15.4467
Regular Plan Dividend Option	13.4524	15.4467
Direct Plan - Growth Option	13.6995	15.6212
Direct Plan - Dividend Option	8.5913	9.3835
End		
Regular Plan Growth Option	14.4780	17.1410
Regular Plan Dividend Option	14.4780	17.1410
Direct Plan - Growth Option	14.7463	17.3532
Direct Plan - Dividend Option	9.2475	10.4244
2. Closing Assets Under Management (Rs. in Lakhs)		
End	9,346	17,768
Average (AAuM) ¹	14,035	23,928
3. Gross income as % of AAuM ²		
	13.24%	9.58%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	0.75%	0.76%
Direct Plan	0.15%	0.50%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.12%	–
Direct Plan	0.02%	–
5. Net Income as a percentage of AAuM ³ *		
	12.50%	8.88%
6. Portfolio turnover ratio ⁴		
	0.04	0.10
7. Total Dividend per unit distributed during the period (planwise)		
Retail		
Regular Plan Dividend Option	–	–
Direct Plan - Dividend Option	–	–

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC MANAGED SOLUTIONS INDIA – MODERATE

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
--	---	--

Corporate

Regular Plan Dividend Option	-	-
Direct Plan - Dividend Option	-	-

8. Returns (%):

a. Last One Year

Scheme

Regular Plan Growth Option	(15.4200)	4.7156
Direct Plan - Growth Option	(14.9100)	4.9786

Benchmark

CRISIL Hybrid 35+65-Aggressive Index	(12.8400)	10.4400
--------------------------------------	-----------	---------

b. Since Inception

Scheme

Regular Plan Growth Option	6.4500	11.5886
Direct Plan - Growth Option	6.7800	11.8680

Benchmark

CRISIL Hybrid 35+65-Aggressive Index	8.0000	12.8500
--------------------------------------	--------	---------

1. AAuM = Average daily net assets
2. Gross income = amount against (A) in the Revenue account i.e. Income
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the period
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.
6. The Total management fees and other expenses charged by the mutual fund(s) in foreign countries along with the management fee and recurring expenses charged to the domestic mutual fund is as follows:

Scheme	TER charged by underlying Fund	TER of the domestic Fund	Weighted Average TER	Maximum TER Cap as per circular
2019-20				
HSBC Managed Solutions India-Moderate	1.19%	0.74%	1.93%	2.05% from 01-April-2019
2018-19				
HSBC Managed Solutions India-Moderate	1.40%	0.69%	2.09%	2.70% up to 29-May-2018 and 2.55% from 30-May-2018

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

HSBC MANAGED SOLUTIONS INDIA – MODERATE

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 & March 31, 2019 are NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the years ended March 31, 2020 & March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Units in Domestic Mutual Fund				
– Appreciation	133,912,121	14.33	461,351,271	25.96
– Depreciation	30,649,236	3.28	–	–

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2018-2019 (excluding accretion of discount) is Rs. 53,000,000 and 727,195,530 respectively being 3.78% and 51.81% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2018-2019 (excluding accretion of discount) is Rs. 247,000,000 and 1,171,769,849 respectively being 10.32% and 48.97% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2020 & March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.**Commission paid to Sponsor/AMC and its associates/related parties/group companies**

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	2.75	44.38	5,668,081.20	96.00

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	21.90	64.51	12,691,881.60	91.91

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also Nil)

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 & March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 & March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	94,841,362.785	685,133.843	36,380,713.494	59,145,783.134	10
Regular Plan Dividend Option	8,288,076.255	260,059.057	3,689,959.474	4,858,175.838	10
Direct Plan - Growth Option	523,680.759	15,333.910	2,852.291	536,162.378	10
Direct Plan - Dividend Option	893.860	4,629.310	894.060	4,629.110	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	146,623,155.070	15,115,974.468	66,897,766.753	94,841,362.785	10
Regular Plan Dividend Option	14,418,502.301	1,481,671.693	7,612,097.739	8,288,076.255	10
Direct Plan - Growth Option	470,389.994	773,624.900	720,334.135	523,680.759	10
Direct Plan - Dividend Option	294.053	599.807	-	893.860	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 407,381.757 & as on March 31, 2019 is 407,381.757

- 5 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income represents exit load credited to the scheme is Rs. 3,007. (2019 : 707,758).

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2018-19	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.
- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements,

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	11,569.17
	7,531.34	
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(2,726.41)
2.2	Unrealised Appreciation Reserve	4,093.93
2.3	Other Reserves	4,274.67
	3,021.92	
	3,936.00	
3	Loans & Borrowings	–
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	–
4.2	Other Current Liabilities & Provisions	99.50
	203.57	
	11,688.22	17,310.86
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	–
1.1.2	Preference Shares	–
1.1.3	Equity Linked Debentures	–
1.1.4	Other Debentures & Bonds	–
1.1.5	Securitised Debt Securities	–
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	–
1.2.2	Preference Shares	–
1.2.3	Equity Linked Debentures	–
1.2.4	Other Debentures & Bonds	–
1.2.5	Securitised Debt Securities	–
1.3	Unlisted Securities:	
1.3.1	Equity Shares	–
1.3.2	Preference Shares	–
1.3.3	Equity Linked Debentures	–
1.3.4	Other Debentures & Bonds	–
1.3.5	Securitised Debt Securities	–
1.4	Government Securities	–
1.5	Treasury Bills	–
1.6	Commercial Paper	–
1.7	Certificate of Deposits	–
1.8	Bill Rediscounting	–
1.9	Units of Domestic Mutual Fund	17,170.70
1.10	Foreign Securities	–
	11,389.00	
	11,389.00	17,170.70
2	Deposits	1.90
	1.50	
3	Other Current Assets	
3.1	Cash & Bank Balance	0.02
3.2	TREPS/Reverse Repo Lending	138.16
3.3	Others	0.08
	200.01	
4	Deferred Revenue Expenditure (to the extent not written off)	–
	–	
	11,688.22	17,310.86

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

		HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	6.17	14.44
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	1,549.41	2,983.50
1.6	Realised Gains/(Losses) on Derivative Transactions	-	-
1.7	Other Income	1.28	1.17
	(A)	1,556.86	2,999.11
2	EXPENSES		
2.1	Management Fees	34.51	61.33
2.2	GST on Management Fees	6.21	11.04
2.3	Transfer Agents Fees and Expenses	8.33	15.19
2.4	Custodian Fees	1.68	1.80
2.5	Trusteeship Fees	0.42	0.66
2.6	Commission to Agents	68.67	128.63
2.7	Marketing & Distribution Expenses	0.17	-
2.8	Audit Fees	0.87	0.84
2.9	Investor Education Expenses	2.89	4.68
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	3.06	5.74
2.12	Less : Expenses to be Reimbursed by the Investment Manager **	-	(0.02)
	(B)	126.81	229.89
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	1,430.05
4	Change in Unrealised Depreciation in Value of Investments	(D)	-
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	1,430.05
6	Change in Unrealised Appreciation in Value of Investments	(F)	(1,072.01)
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	358.04
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	1,072.01	1,352.03
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3	Add/(Less) : Equalisation	(1,768.72)	(2,444.78)
7.4	Transfer from Reserve Fund	4,274.67	3,950.23
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	3,936.00	4,274.67
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	3,936.00	4,274.67

Notes to Accounts - Annexure I

** Expenses borne by the investment Manager for the period prior to 22-Oct-2018

Key Statistics for the year ended March 31, 2020

HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE		
	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	14.8717	13.8903
Regular Plan Dividend Option	14.8717	13.8903
Direct Plan - Growth Option	15.0559	14.0271
High		
Regular Plan Growth Option	15.6127	14.8725
Regular Plan Dividend Option	15.6127	14.8725
Direct Plan - Growth Option	15.9035	15.0565
Low		
Regular Plan Growth Option	14.5537	13.8263
Regular Plan Dividend Option	14.5537	13.8263
Direct Plan - Growth Option	14.7519	13.9676
End		
Regular Plan Growth Option	15.2368	14.8717
Regular Plan Dividend Option	15.2368	14.8717
Direct Plan - Growth Option	15.5363	15.0559
2. Closing Assets Under Management (Rs. in Lakhs)		
End	11,491	17,211
Average (AAuM) ¹	14,447	23,396
3. Gross income as % of AAuM ²		
	10.78%	12.82%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	0.90%	0.98%
Direct Plan	0.19%	0.73%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.25%	0.26%
Direct Plan	0.06%	0.26%
5. Net Income as a percentage of AAuM ³		
	9.90%	11.84%
6. Portfolio turnover ratio ⁴		
	0.04	0.07
7. Total Dividend per unit distributed during the period (planwise)		
Retail		
Regular Plan Dividend Option	–	–
Direct Plan - Dividend Option	–	–
Corporate		
Regular Plan Dividend Option	–	–
Direct Plan - Dividend Option	–	–

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
--	---	--

8. Returns (%):

a. Last One Year

Scheme

Regular Plan Growth Option	2.4300	7.0427
Direct Plan - Growth Option	3.1600	7.3118

Benchmark

Composite Index constituting of 90% into CRISIL Composite Bond Index and 10% of BSE 200 Index	6.1600	7.5900
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b. Since Inception

Scheme

Regular Plan Growth Option	7.3700	8.4108
Direct Plan - Growth Option	7.7200	8.6823

Benchmark

Composite Index constituting of 90% into CRISIL Composite Bond Index and 10% of BSE 200 Index	9.2300	9.8700
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1. AAuM = Average daily net assets
2. Gross income = amount against (A) in the Revenue account i.e. Income
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the period
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.
6. The Total management fees and other expenses charged by the mutual fund(s) in foreign countries along with the management fee and recurring expenses charged to the domestic mutual fund is as follows:

Scheme	TER charged by underlying Fund	TER of the domestic Fund	Weighted Average TER	Maximum TER Cap as per circular
2019-20				
HSBC Managed Solution India-Conservative	0.77%	0.88%	1.65%	2.05% from 01-April-2019
2018-19				
HSBC Managed Solution India - Conservative	0.70%	0.94%	1.64%	2.70% up to 29-May-2018 and 2.55% from 30-May-2018

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 & as on March 31, 2019 are NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the Scheme as of the years ended March 31, 2020 & March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Units in Domestic Mutual Fund				
– Appreciation	303,244,666	26.39	410,445,968	23.85
– Depreciation	–	–	–	–

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2019-2020(excluding accretion of discount) is Rs. 540,00,000 and 659,913,709 respectively being 3.74% and 45.68% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2018-2019(excluding accretion of discount) is Rs. 164,500,000 and 1,457,510,993 respectively being 7.03% and 62.30% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2020 & March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.**Commission paid to Sponsor/AMC and its associates/related parties/group companies**

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	2.72	82.99	5,901,564	99.93

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	6.28	70.16	10,501,174	95.40

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 & March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 & March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	100,776,578.260	1,176,586.434	37,057,475.120	64,895,689.574	10
Regular Plan Dividend Option	11,658,010.804	121,150.010	4,458,266.178	7,320,894.636	10
Direct Plan - Growth Option	3,257,090.614	2,819.250	163,091.144	3,096,818.720	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	176,216,052.252	4,401,304.935	79,840,778.927	100,776,578.260	10
Regular Plan Dividend Option	26,396,969.967	16,020.991	14,754,980.154	11,658,010.804	10
Direct Plan - Growth Option	3,420,783.255	137,995.193	301,687.834	3,257,090.614	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 434,786.389 & as on March 31, 2019 is 434,786.389

- 5 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income represents exit load credited to the scheme is Rs. 127,547. (2019 : 117,362).

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2018-19	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.
- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Global Emerging Markets Fund

An open ended fund of fund Scheme investing in HSBC Global Investment Funds - Global Emerging Markets Equity Fund

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp or watermark.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Global Emerging Markets Fund (HGEMF)

(An open-ended fund of fund scheme investing in HSBC Global Investment Funds - Global Emerging Markets Equity Fund)

The primary investment objective of the Scheme is to provide long term capital appreciation by investing predominantly in units/shares of HSBC Global Investment Funds - Global Emerging Markets Equity Fund. The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HGEMF amounted to Rs. 8.22 crores as at March 31, 2020 compared to Rs. 8.21 crores as at March 31, 2019. Around 98.25% of the net assets were invested in HSBC GEM Equity Fund (overseas mutual fund), 1.75% of the net assets comprised of reverse repos/TREPS and current assets as at March 31, 2020.

HGEMF is a feeder fund and its performance depends upon performance of its underlying fund. The fund has outperformed its benchmark on a 1-year basis, while underperformed its benchmark on a 3, 5 and since inception time periods on account of the performance of its underlying fund and currency fluctuation.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)			
		1 Year	3 Years	5 Years	Since Inception
Date of Inception : 17 March 2008					
HSBC Global Emerging Markets Fund - Growth	-7.67	2.36	2.34	2.09	
MSCI Emerging Market TRI (Scheme Benchmark)	-10.42	3.43	3.50	5.96	
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56	6.80	
Rs. 10,000, if invested in HGEMF, would have become	9,227	10,726	11,227	12,830	
Rs. 10,000, if invested in MSCI Emerging Market TRI, would have become	8,950	11,066	11,879	20,085	
Rs. 10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	22,089	

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2020 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and

Trustees' Report

For the year ended March 31, 2020 (Contd...)

earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both

Trustees' Report

For the year ended March 31, 2020 (Contd...)

government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Global Emerging Markets Fund	5,239.29	9	1,011,887.69	23

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2020 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and

Trustees' Report

For the year ended March 31, 2020 (Contd...)

136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Global Emerging Markets Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Global Emerging Markets Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus/deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	594.93
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(476.47)
2.2	Unrealised Appreciation Reserve	211.79
2.3	Other Reserves	490.55
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	14.80
	TOTAL	836.04
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	-
1.1.5	Securitized Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitized Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitized Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	816.57
	Total Investments	807.34
2	Deposits	1.50
3	Other Current Assets	
3.1	Cash & Bank Balance	0.09
3.2	TREPS/Reverse Repo Lending	8.46
3.3	Others	8.91
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	836.04

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	17.34	16.43
1.2 Interest	1.37	1.10
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	(1.04)	(0.17)
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	34.42	18.68
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	0.74	0.16
(A)	52.83	36.20
2 EXPENSES		
2.1 Management Fees	4.59	7.14
2.2 GST on Management Fees	0.83	1.29
2.3 Transfer Agents Fees and Expenses	0.54	0.57
2.4 Custodian Fees	1.73	1.67
2.5 Trusteeship Fees	0.03	0.02
2.6 Commission to Agents	4.12	4.17
2.7 Marketing & Distribution Expenses	0.02	-
2.8 Audit Fees	0.20	0.20
2.9 Investor Education Expenses	0.18	0.17
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	0.73	0.34
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	-
(B)	12.97	15.57
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	20.63
4 Change in Unrealised Depreciation in Value of Investments	(D)	-
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	20.63
6 Change in Unrealised Appreciation in Value of Investments	(F)	(57.65)
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	(37.02)
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	109.91	57.65
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3 Add/(Less) : Equalisation	(14.27)	(15.77)
7.4 Transfer from Reserve Fund	490.55	485.69
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	516.14	490.55
9 Dividend Appropriation		
9.1 Income Distributed during the Year	-	-
9.2 Tax on Income Distributed during the Year	-	-
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	516.14	490.55

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	13.9009	14.4767
Regular Plan Dividend Option	13.2996	13.8506
Direct Plan - Growth Option	14.5422	15.0374
Direct Plan - Dividend Option	13.9249	14.3991
High		
Regular Plan Growth Option	15.9573	15.0083
Regular Plan Dividend Option	15.2671	14.3591
Direct Plan - Growth Option	16.7857	15.6028
Direct Plan - Dividend Option	16.0679	14.9404
Low		
Regular Plan Growth Option	11.5174	12.5690
Regular Plan Dividend Option	11.0193	12.0254
Direct Plan - Growth Option	12.1317	13.1267
Direct Plan - Dividend Option	11.6117	12.5694
End		
Regular Plan Growth Option	12.8277	13.9009
Regular Plan Dividend Option	12.2729	13.2996
Direct Plan - Growth Option	13.5144	14.5422
Direct Plan - Dividend Option	12.9349	13.9249
2. Closing Assets Under Management (Rs. in Lakhs)		
End	822	821
Average (AAuM) ¹	911	867
3. Gross income as % of AAuM ²		
	5.80%	4.18%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	1.53%	1.83%
Direct Plan	0.82%	1.11%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.52%	0.82%
Direct Plan	0.38%	0.82%
5. Net Income as a percentage of AAuM ³		
	4.37%	2.38%
6. Portfolio turnover ratio ⁴		
	0.16	0.02
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan Dividend Option	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Dividend Option	-	-
Corporate		
Regular Plan Dividend Option	-	-
Direct Plan - Dividend Option	-	-
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	(7.6700)	(3.9730)
Direct Plan - Growth Option	(7.0200)	(3.2873)
Benchmark		
MSCI Emerging Markets Index	(10.4200)	(0.7300)
b. Since Inception		
Scheme		
Regular Plan Growth Option	2.3400	3.0297
Direct Plan - Growth Option	3.0700	4.1182
Benchmark		
MSCI Emerging Markets Index	5.9600	7.4600

1. AAuM = Average daily net assets
2. Gross income = amount against (A) in the Revenue account i.e. Income
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.
6. The Total management fees and other expenses charged by the underlying fund along with the management fee and recurring expenses charged by the domestic Mutual Fund is as follows:

Scheme	TER charged by underlying Fund	TER of the domestic Fund	Weighted Average TER	Maximum TER Cap as per circular
2019-20				
HSBC Emerging Markets Fund	0.85%	1.42%	2.27%	2.30% from 01-April-2019
2018-19				
HSBC Emerging Markets Fund	0.85%	1.67%	2.52%	2.70% up to 29-May-2018 and 2.55% from 30-May-2018

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years end and their percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Foreign Securities				
– Appreciation	10,187,516	12.40	21,178,587	25.80
– Depreciation	–	–	–	–

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 20,771,930 and 14,146,385 respectively being 22.79% and 15.52% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 1,642,783 and 7,350,807 respectively being 1.90% and 8.48% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2020 and March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	~0.00	0.07	52,345.90	16.56

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2018-2019	–	–	60,978.50	16.53

~ Indicates less than 0.01

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019**:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	3,947,222.922	1,039,624.519	1,120,223.795	3,866,623.646	10
Regular Plan Dividend Option	1,520,548.278	36,377.089	159,228.609	1,397,696.758	10
Direct Plan - Growth Option	456,427.617	749,071.709	86,939.414	1,118,559.912	10
Direct Plan - Dividend Option	25,135.594	7,322.465	6,993.700	25,464.359	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	4,430,224.030	152,061.965	635,063.073	3,947,222.922	10
Regular Plan Dividend Option	1,634,382.840	12,658.105	126,492.667	1,520,548.278	10
Direct Plan - Growth Option	419,563.118	153,734.163	116,869.664	456,427.617	10
Direct Plan - Dividend Option	14,933.711	14,388.709	4,186.826	25,135.594	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 113,484.384 & as on March 31, 2019 is 113,484.384.

- 5 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income of Rs. 74172/- represents Exit load (net of GST) credited to the scheme (2019: Rs. 16,279/- represents Exit load (net of GST) credited to the scheme).

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.
- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Asia Pacific (Ex Japan) Dividend Yield Fund

An open ended fund of fund Scheme investing in HSBC Global Investments Fund - Asia Pacific Ex Japan Equity High Dividend Fund

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Asia Pacific (Ex Japan) Dividend Yield Fund (HAPDF)

(An open ended fund of fund scheme investing in HSBC Global Investments Fund - Asia Pacific Ex Japan Equity High Dividend Fund)

HAPDF seeks to provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds (HGIF) Asia Pacific Ex Japan Equity High Dividend Fund. The Scheme may, also invest a certain proportion of its corpus in money market instruments and/or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there is no assurance that the investment objective of the Scheme will be achieved.

The net assets of HAPDF amounted to Rs. 4.85 crores as on March 31, 2020 as compared to 5.82 crores as at March 31, 2019. Around 97.42 % of the net assets were invested in HSBC Global Investment Funds (HGIF) Asia Pacific Ex-Japan Equity High Dividend Fund (overseas mutual fund), 2.58% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2020.

HAPDF is a feeder fund and its performance depends upon performance of its underlying fund. The fund has outperformed its benchmark on a 1-year basis, while underperformed its benchmark on a 3, 5 and since inception time periods on account of the performance of its underlying fund and currency fluctuation.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)			
		1 Year	3 Years	5 Years	Since Inception
Date of Inception : 24 February 2014					
HSBC Asia Pacific (Ex Japan) Dividend Yield Fund – Growth	-7.34	4.19	4.52	4.62	
MSCI AC Asia Pacific ex Japan TRI (Scheme Benchmark)	-7.78	4.69	4.53	5.35	
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56	6.89	
Rs. 10,000, if invested in HAPDF, would have become	9,260	11,312	12,477	13,173	
Rs. 10,000, if invested in MSCI AC Asia Pacific ex -Japan TRI, would have become	9,216	11,475	12,483	13,744	
Rs. 10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	15,016	

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2020 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings should be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, e-commerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBI's accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability,

Trustees' Report

For the year ended March 31, 2020 (Contd...)

immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Nil.

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2020 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating

Trustees' Report

For the year ended March 31, 2020 (Contd...)

"D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Asia Pacific (Ex Japan) Dividend Yield Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Asia Pacific (Ex Japan) Dividend Yield Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that

Independent Auditors' Report (Contd...)

is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

		Rs. in Lakhs	
		As at March 31, 2020	As at March 31, 2019
LIABILITIES			
1	Unit Capital	365.11	406.51
2	Reserves & Surplus		
2.1	Unit Premium Reserves	(87.87)	(78.63)
2.2	Unrealised Appreciation Reserve	34.35	102.10
2.3	Other Reserves	173.90	151.75
3	Loans & Borrowings	-	-
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	-	-
4.2	Other Current Liabilities & Provisions	2.57	44.53
TOTAL		488.06	626.26
ASSETS			
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	-	-
1.1.2	Preference Shares	-	-
1.1.3	Equity Linked Debentures	-	-
1.1.4	Other Debentures & Bonds	-	-
1.1.5	Securitised Debt Securities	-	-
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	-	-
1.2.2	Preference Shares	-	-
1.2.3	Equity Linked Debentures	-	-
1.2.4	Other Debentures & Bonds	-	-
1.2.5	Securitised Debt Securities	-	-
1.3	Unlisted Securities:		
1.3.1	Equity Shares	-	-
1.3.2	Preference Shares	-	-
1.3.3	Equity Linked Debentures	-	-
1.3.4	Other Debentures & Bonds	-	-
1.3.5	Securitised Debt Securities	-	-
1.4	Government Securities	-	-
1.5	Treasury Bills	-	-
1.6	Commercial Paper	-	-
1.7	Certificate of Deposits	-	-
1.8	Bill Rediscounting	-	-
1.9	Units of Domestic Mutual Fund	-	-
1.10	Foreign Securities	472.81	567.35
Total Investments		472.81	567.35
2	Deposits	1.50	1.60
3	Other Current Assets		
3.1	Cash & Bank Balance	0.61	0.05
3.2	TREPS/Reverse Repo Lending	12.84	19.21
3.3	Others	0.30	38.05
4	Deferred Revenue Expenditure (to the extent not written off)	-	-
TOTAL		488.06	626.26

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	13.06	23.18
1.2 Interest	1.01	1.29
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	(0.67)	0.53
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	30.63	76.74
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	0.85	0.32
(A)	44.88	102.06
2 EXPENSES		
2.1 Management Fees	0.63	2.16
2.2 GST on Management Fees	0.11	0.39
2.3 Transfer Agents Fees and Expenses	0.34	0.45
2.4 Custodian Fees	1.71	1.85
2.5 Trusteeship Fees	0.02	0.02
2.6 Commission to Agents	3.03	4.32
2.7 Marketing & Distribution Expenses	0.02	0.01
2.8 Audit Fees	0.20	0.20
2.9 Investor Education Expenses	0.12	0.14
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	1.02	1.35
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	-
(B)	7.20	10.89
3 NET REALISED GAINS/(LOSSES) FOR THE YEAR	(C = A - B)	37.68
4 Change in Unrealised Depreciation in Value of Investments	(D)	-
5 NET GAINS/(LOSSES) FOR THE YEAR	(E = C + D)	37.68
6 Change in Unrealised Appreciation in Value of Investments	(F)	(67.75)
7 NET SURPLUS/(DEFICIT) FOR THE YEAR	(G = E + F)	(30.07)
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	67.75	58.16
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3 Add/(Less) : Equalisation	(15.53)	(51.37)
7.4 Transfer from Reserve Fund	151.75	111.95
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	173.90	151.75
9 Dividend Appropriation		
9.1 Income Distributed during the Year	-	-
9.2 Tax on Income Distributed during the Year	-	-
10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet	173.90	151.75

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	14.2247	13.5248
Regular Plan Dividend Option	14.2247	13.5248
Direct Plan - Growth Option	14.7458	13.9208
Direct Plan - Dividend Option	14.7458	13.9208
High		
Regular Plan Growth Option	16.0827	14.7278
Regular Plan Dividend Option	16.0827	14.7278
Direct Plan - Growth Option	16.7629	15.2113
Direct Plan - Dividend Option	16.7580	15.2113
Low		
Regular Plan Growth Option	11.6819	12.5140
Regular Plan Dividend Option	11.6819	12.5140
Direct Plan - Growth Option	12.1932	12.9508
Direct Plan - Dividend Option	12.1895	12.9508
End		
Regular Plan Growth Option	13.1734	14.2247
Regular Plan Dividend Option	13.1734	14.2247
Direct Plan - Growth Option	13.7538	14.7458
Direct Plan - Dividend Option	13.7495	14.7458
2. Closing Assets Under Management (Rs. in Lakhs)		
End	485	582
Average (AAuM) ¹	580	686
3. Gross income as % of AAuM ²		
	7.74%	14.88%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	1.38%	1.70%
Direct Plan	0.66%	0.97%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.12%	0.32%
Direct Plan	0.06%	0.32%
5. Net Income as a percentage of AAuM ³		
	6.49%	13.29%
6. Portfolio turnover ratio ⁴		
	0.19	0.24
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Corporate		
Regular Plan Dividend Option	-	-
Direct Plan - Dividend Option	-	-
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	(7.3400)	5.1561
Direct Plan - Growth Option	(6.6800)	5.9079
Benchmark		
MSCI AC Asia Pacific ex Japan	(7.7800)	3.1800
b. Since Inception		
Scheme		
Regular Plan Growth Option	4.6200	7.1657
Direct Plan - Growth Option	5.3600	7.9245
Benchmark		
MSCI AC Asia Pacific ex Japan	5.3500	8.1700

1. AAUM = Average daily net assets
2. Gross income = amount against (A) in the Revenue account i.e. Income
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.
6. The Total management fees and other expenses charged by the mutual fund(s) in foreign countries along with the management fee and recurring expenses charged to the domestic mutual fund is as follows:

Scheme	TER charged by underlying Fund	TER of the domestic Fund	Weighted Average TER	Maximum TER Cap as per circular
2019-20				
HSBC Asia Pacific (Ex Japan) Dividend Yield Fund	0.65%	1.25%	1.90%	2.30% from 01-April-2019
2018-19				
HSBC Asia Pacific (Ex Japan) Dividend Yield Fund	0.65%	1.54%	2.19%	2.70% up to 29-May- 2018 and 2.55% from 30-May-2018

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years end and their percentages to net assets are as under:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Foreign Securities				
– Appreciation	3,423,710	7.05%	10,188,924	17.51%
– Depreciation	–	–	–	–

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2019-2020 (excluding accretion of discount) is Rs.11,072,962 and 16,824,496 respectively being 19.09% and 29.00% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2018-2019 (excluding accretion of discount) is Rs. 16,469,671 and 40,139,237 respectively being 24.01% and 58.52% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2020 and March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	1.04	67.84	224,348.60	85.99

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2018-2019	1.01	52.86	339,522.60	84.98

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	2,766,039.111	832,258.138	938,295.952	2,660,001.297	10
Regular Plan Dividend Option	629,618.415	60,017.932	476,954.214	212,682.133	10
Direct Plan - Growth Option	648,213.059	166,456.857	72,394.517	742,275.399	10
Direct Plan - Dividend Option	21,196.866	27,034.936	12,137.267	36,094.535	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	4,646,045.508	532,631.279	2,412,637.676	2,766,039.111	10
Regular Plan Dividend Option	771,435.693	476,012.763	617,830.041	629,618.415	10
Direct Plan - Growth Option	556,661.982	184,226.172	92,675.095	648,213.059	10
Direct Plan - Dividend Option	13,654.168	101,775.867	94,233.169	21,196.866	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 434,480.361 & as on March 31, 2019 is 434,480.361

- 5 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income credited to the scheme of 84,824 represents Exit load (net of GST) credited to the scheme. (2019 : 31,535)
- 8 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.
- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Brazil Fund

An open ended fund of fund Scheme investing in HSBC Global Investments Fund - Brazil Equity Fund

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp or watermark.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Brazil Fund (HBF)

(An open ended fund of fund scheme investing in HSBC Global Investments Fund - Brazil Equity Fund)

HBF seeks to provide long term capital appreciation by investing predominantly in units/shares of HSBC Global Investments Funds (HGIF) Brazil Equity Fund. The Scheme may, at the discretion of the Investment Manager, also invest in the units of other similar overseas mutual fund schemes, which may constitute a significant part of its corpus. The scheme may also invest a certain proportion of its corpus in money market instruments and/or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HBF amounted to Rs. 12.16 crores as at March 31, 2020 compared to Rs. 26 crores as at March 31, 2019. Around 96.61 % of the net assets were invested in HSBC Global Investment Funds (HGIF) Brazil Equity Fund (overseas mutual fund), 3.39% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2020.

HBF is a feeder fund and its performance depends upon performance of its underlying fund. The fund has underperformed its benchmark across all time periods on account of the performance of its underlying fund and currency fluctuation.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
		1 Year	3 Years	5 Years
Date of Inception : 6 May 2011				
HSBC Brazil Fund – Growth	-36.27	-8.68	-2.63	-6.79
MSCI Brazil 10/40 TRI (Scheme Benchmark)	-33.42	-5.29	2.25	-1.96
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56	6.37
Rs. 10,000, if invested in HBF, would have become	6,349	7,614	8,751	5,345
Rs. 10,000, if invested in MSCI Brazil 10/40 TRI, would have become	6,636	8,494	11,178	8,383
Rs. 10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	17,336

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2020 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings should be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, e-commerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBI's accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market

Trustees' Report

For the year ended March 31, 2020 (Contd...)

with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Brazil Fund	Nil	Nil	279,069.72	10

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

Trustees' Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2020 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating

Trustees' Report

For the year ended March 31, 2020 (Contd...)

"D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Brazil Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Brazil Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net deficit for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	3,071.31
2	Reserves & Surplus	
2.1	Unit Premium Reserves	122.91
2.2	Unrealised Appreciation Reserve	-
2.3	Other Reserves	(594.00)
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	39.17
	TOTAL	2,639.39
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	-
1.1.5	Securitised Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitised Debt Securities	-
1.4	Government Securities	-
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	2,551.62
	Total Investments	1,174.33
2	Deposits	1.99
3	Other Current Assets	
3.1	Cash & Bank Balance	2.91
3.2	TREPS/Reverse Repo Lending	78.91
3.3	Others	5.86
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	2,639.39

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	78.53	60.28
1.2 Interest	4.11	4.32
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	1.21	(0.30)
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	-	-
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	17.94	(35.41)
1.6 Realised Gains/(Losses) on Derivative Transactions	-	-
1.7 Other Income	3.75	1.43
(A)	105.54	30.32
2 EXPENSES		
2.1 Management Fees	12.43	23.30
2.2 GST on Management Fees	2.24	4.19
2.3 Transfer Agents Fees and Expenses	1.45	1.51
2.4 Custodian Fees	1.94	1.76
2.5 Trusteeship Fees	0.07	0.07
2.6 Commission to Agents	13.17	11.33
2.7 Marketing & Distribution Expenses	0.03	-
2.8 Audit Fees	0.20	0.20
2.9 Investor Education Expenses	0.52	0.47
2.10 Interest on Borrowing	-	-
2.11 Other Operating Expenses	4.09	1.97
2.12 Less : Expenses to be Reimbursed by the Investment Manager	-	(1.25)
(B)	36.14	43.55
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	(13.23)
4 Change in Unrealised Depreciation in Value of Investments	(D)	82.89
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	69.66
6 Change in Unrealised Appreciation in Value of Investments	(F)	-
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	69.66
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	-	-
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	-	-
7.3 Add/(Less) : Equalisation	(34.58)	(103.36)
7.4 Transfer from Reserve Fund	(594.00)	(560.30)
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	(1,187.81)	(594.00)
9 Dividend Appropriation		
9.1 Income Distributed during the Year	-	-
9.2 Tax on Income Distributed during the Year	-	-
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	(1,187.81)	(594.00)

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	8.4164	8.1022
Regular Plan Dividend Option	8.4164	8.1022
Direct Plan - Growth Option	8.8043	8.4129
Direct Plan - Dividend Option	8.8043	8.4129
High		
Regular Plan Growth Option	10.2065	9.5927
Regular Plan Dividend Option	10.2065	9.5927
Direct Plan - Growth Option	10.7373	10.0198
Direct Plan - Dividend Option	10.7338	10.0198
Low		
Regular Plan Growth Option	4.6685	6.4448
Regular Plan Dividend Option	4.6685	6.4448
Direct Plan - Growth Option	4.9201	6.7030
Direct Plan - Dividend Option	4.9180	6.7030
End		
Regular Plan Growth Option	5.3445	8.4164
Regular Plan Dividend Option	5.3445	8.4164
Direct Plan - Growth Option	5.6337	8.8043
Direct Plan - Dividend Option	5.6312	8.8043
2. Closing Assets Under Management (Rs. in Lakhs)		
End	1,216	2,600
Average (AAuM) ¹	2,584	2,327
3. Gross income as % of AAuM ²		
	4.08%	1.30%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	1.55%	1.94%
Direct Plan	0.79%	1.15%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.50%	1.00%
Direct Plan	0.40%	1.00%
5. Net Income as a percentage of AAuM ³		
	2.69%	(0.57)%
6. Portfolio turnover ratio ⁴		
	0.17	0.07
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan Dividend Option	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Direct Plan - Dividend Option	-	-
Corporate		
Regular Plan Dividend Option	-	-
Direct Plan - Dividend Option	-	-
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	(36.2700)	3.8616
Direct Plan - Growth Option	(35.7800)	4.6354
Benchmark		
MSCI Brazil 10/40 Index	(33.4200)	5.7600
b. Since Inception		
Scheme		
Regular Plan Growth Option	(6.7900)	(2.1570)
Direct Plan - Growth Option	(7.6400)	(2.0557)
Benchmark		
MSCI Brazil 10/40 Index	(1.9600)	3.0100

1 AAUM = Average daily net assets

2 Gross income = amount against (A) in the Revenue account i.e. Income

3 Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year

4 Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

5 The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.

6 The Total management fees and other expenses charged by the underlying fund along with the management fee and recurring expenses charged by the domestic Mutual Fund is as follows:

Scheme	TER charged by underlying Fund	TER of the domestic Fund	Weighted Average TER	Maximum TER Cap as per circular
2019-20				
HSBC Brazil Fund	0.85%	1.40%	2.25%	2.30% from 01-April-2019
2018-19				
HSBC Brazil Fund	0.85%	1.69%	2.54%	2.70% up to 29-May-2018 and 2.55% from 30-May-2018

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 is NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years end and their percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Foreign Securities				
– Appreciation	–	–	–	–
– Depreciation	89,073,622	73.28	26,210,425	10.08

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 45,178,307 and Rs. 121,839,906 respectively being 17.49% and 47.16% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 25,849,976 and Rs. 16,786,577 respectively being 11.11% and 7.21% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2020 and March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	~0.00	0.03	407,544	32.98

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2018-2019	0.10	1.49	449,303	37.82

~ Indicates less than 0.01

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 and March 31, 2019.
- 4 Unit Capital movement during the years ended March 31, 2020 and March 31, 2019:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	23,280,285.096	2,563,325.469	15,025,908.659	10,817,701.906	10
Regular Plan Dividend Option	3,492,625.983	861,797.521	896,239.722	3,458,183.782	10
Direct Plan - Growth Option	3,787,751.091	7,557,957.077	3,512,153.691	7,833,554.477	10
Direct Plan - Dividend Option	152,388.812	243,780.527	167,710.569	228,458.770	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan - Growth Option	23,944,825.397	3,201,113.505	3,865,653.806	23,280,285.096	10
Regular Plan - Dividend Option	4,967,497.514	135,752.682	1,610,624.213	3,492,625.983	10
Direct Plan - Growth Option	1,418,801.534	4,075,879.440	1,706,929.883	3,787,751.091	10
Direct Plan - Dividend Option	26,739.781	146,592.779	20,943.748	152,388.812	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2020 is 701,095.111 & as on 31/03/2019 is 701,095.111

- 5 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income of Rs. 375,148/- represents Exit load (net of GST) credited to the scheme. (2019: Rs. 142,751/- represents Exit load (net of GST) credited to the scheme.)

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Global Consumer Opportunities Fund – Benefiting From China’s Growing Consumption Power

An open ended fund of fund Scheme investing in HSBC Global Investments Fund - China Consumer Opportunities Fund

Abridged Annual Report 2019 - 2020



HSBC
Global Asset
Management

Dear Investor,

“There are decades where nothing happens, and there are weeks where decades happen.” — Vladimir Lenin



The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated “The markets are not a reflector of the real economy, but they are a predictor of the economy”.

The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **‘Progress is never easy. But if you believe the story continues, it will’.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', written over a light blue circular stamp.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees’ Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund (“Fund”) present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Global Consumer Opportunities Fund (HGCOF)

– Benefiting from China’s Growing Consumption Power (HGCOF)

(An open ended fund of fund scheme investing in HSBC Global Investments Fund - China Consumer Opportunities Fund)

HGCOF seeks to provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds (HGIF) China Consumer Opportunities Fund. The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HGCOF amounted to Rs. 3.53 crores as at March 31, 2020 as compared to Rs. 3.61 crores as on March 31, 2019. Around 98.16 % of the net assets were invested in HSBC Global Investment Funds (HGIF) China Consumer Opportunities Fund (overseas mutual fund) and 1.84% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2020.

HGCOF is a feeder fund and its performance depends upon performance of its underlying fund. The fund has underperformed its benchmark across all time periods on account of the performance of its underlying fund and currency fluctuation.

Scheme Name & Benchmarks	Absolute Returns (%)	Compounded Annualized Returns (%)		
		1 Year	3 Years	5 Years
Date of Inception : 24 February 2015				
HSBC Global Consumer Opportunities Fund – Growth	-4.04	6.38	4.60	4.25
MSCI AC World TRI (Scheme Benchmark)	-3.48	6.70	6.83	6.45
Nifty 50 TRI (Standard Benchmark)	-24.85	-0.81	1.56	0.96
Rs. 10,000, if invested in HGCOF, would have become	9,593	12,041	12,525	12,367
Rs. 10,000, if invested in MSCI AC World TRI, would have become	9,649	12,150	13,919	13,758
Rs. 10,000, if invested in Nifty 50 TRI, would have become	7,497	9,759	10,806	10,500

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2020 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial

Trustees’ Report

For the year ended March 31, 2020 (Contd...)

markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don’t have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn’t be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to ‘China + 1’ strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also moderately positive on companies which would be beneficiaries of a

Trustees' Report

For the year ended March 31, 2020 (Contd...)

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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBIs accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time

Trustees’ Report

For the year ended March 31, 2020 (Contd...)

away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI’s accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI’s accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund (“the Mutual Fund” or “the Fund”) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee

Trustees' Report

For the year ended March 31, 2020 (Contd...)

vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Nil.

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0

Trustees’ Report

For the year ended March 31, 2020 (Contd...)

2019-2020												
Com-plaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Com-plaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If “Others” include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the

Trustees' Report

For the year ended March 31, 2020 (Contd...)

initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddha Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and

Trustees’ Report

For the year ended March 31, 2020 (Contd...)

DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund - HSBC Global Consumer Opportunities Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Global Consumer Opportunities Fund - Benefiting From China's Growing Consumption Power** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020 and its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors’ Report (Contd...)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme’s internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
2. As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm’s Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

Place : Mumbai

Date : 11th August 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	281.69
		278.97
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(33.74)
		(39.07)
2.2	Unrealised Appreciation Reserve	56.57
		89.02
2.3	Other Reserves	48.37
		32.47
3	Loans & Borrowings	-
		-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
		-
4.2	Other Current Liabilities & Provisions	4.25
		2.05
	TOTAL	357.14
		363.44
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
		-
1.1.2	Preference Shares	-
		-
1.1.3	Equity Linked Debentures	-
		-
1.1.4	Other Debentures & Bonds	-
		-
1.1.5	Securitised Debt Securities	-
		-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
		-
1.2.2	Preference Shares	-
		-
1.2.3	Equity Linked Debentures	-
		-
1.2.4	Other Debentures & Bonds	-
		-
1.2.5	Securitised Debt Securities	-
		-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
		-
1.3.2	Preference Shares	-
		-
1.3.3	Equity Linked Debentures	-
		-
1.3.4	Other Debentures & Bonds	-
		-
1.3.5	Securitised Debt Securities	-
		-
1.4	Government Securities	-
		-
1.5	Treasury Bills	-
		-
1.6	Commercial Paper	-
		-
1.7	Certificate of Deposits	-
		-
1.8	Bill Rediscounting	-
		-
1.9	Units of Domestic Mutual Fund	-
		-
1.10	Foreign Securities	346.07
		354.07
	Total Investments	346.07
		354.07
2	Deposits	1.50
		1.53
3	Other Current Assets	
3.1	Cash & Bank Balance	0.60
		0.03
3.2	TREPS/Reverse Repo Lending	7.55
		7.80
3.3	Others	1.42
		0.01
4	Deferred Revenue Expenditure (to the extent not written off)	-
		-
	TOTAL	357.14
		363.44

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1 INCOME		
1.1 Dividend	–	–
1.2 Interest	0.64	0.74
1.3 Realised Gain/(Loss) on Foreign Exchange Transactions	(0.57)	(0.66)
1.4 Realised Gains/(Losses) on Interscheme Sale of Investments	–	–
1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments	22.80	29.57
1.6 Realised Gains/(Losses) on Derivative Transactions	–	–
1.7 Other Income	0.21	0.18
(A)	23.08	29.83
2 EXPENSES		
2.1 Management Fees	0.35	1.22
2.2 GST on Management Fees	0.06	0.22
2.3 Transfer Agents Fees and Expenses	0.22	0.26
2.4 Custodian Fees	1.71	1.72
2.5 Trusteeship Fees	0.01	0.01
2.6 Commission to Agents	1.78	2.43
2.7 Marketing & Distribution Expenses	0.02	0.01
2.8 Audit Fees	0.06	0.20
2.9 Investor Education Expenses	0.07	0.08
2.10 Interest on Borrowing	–	–
2.11 Other Operating Expenses	0.51	0.12
2.12 Less : Expenses to be Reimbursed by the Investment Manager	–	–
(B)	4.79	6.27
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	23.56
4 Change in Unrealised Depreciation in Value of Investments	(D)	–
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	23.56
6 Change in Unrealised Appreciation in Value of Investments	(F)	1.41
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	24.97
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	32.45	–
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	–	(1.41)
7.3 Add/(Less) : Equalisation	(2.39)	(4.10)
7.4 Transfer from Reserve Fund	32.47	13.01
7.5 Transfer from Unit Premium Reserve	–	–
8 Total	48.37	32.47
9 Dividend Appropriation		
9.1 Income Distributed during the Year	–	–
9.2 Tax on Income Distributed during the Year	–	–
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	48.37	32.47

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	12.8929	12.2644
Direct Plan - Growth Option	13.2749	12.5376
High		
Regular Plan Growth Option	15.0112	14.0546
Direct Plan - Growth Option	15.5378	14.4179
Low		
Regular Plan Growth Option	10.6794	11.0466
Direct Plan - Growth Option	11.0716	11.3543
End		
Regular Plan Growth Option	12.3687	12.8929
Direct Plan - Growth Option	12.8253	13.2749
2. Closing Assets Under Management (Rs. in Lakhs)		
End	353	361
Average (AAuM) ¹	362	390
3. Gross income as % of AAuM ²	6.38%	7.65%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	1.48%	1.71%
Direct Plan	0.78%	0.97%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.11%	0.31%
Direct Plan	0.06%	0.31%
5. Net Income as a percentage of AAuM ³	5.05%	6.04%
6. Portfolio turnover ratio ⁴	0.22	0.10
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan Dividend Option	-	-
Direct Plan - Dividend Option	-	-
Corporate		
Regular Plan Dividend Option	-	-
Direct Plan - Dividend Option	-	-
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	(4.0400)	5.1038
Direct Plan - Growth Option	(3.3600)	5.8631

Key Statistics for the year ended March 31, 2020 (Contd...)

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
Benchmark		
MSCI AC World Index	(3.4800)	10.1600
b. Since Inception		
Scheme		
Regular Plan Growth Option	4.2500	6.4021
Direct Plan - Growth Option	5.0000	7.1624
Benchmark		
MSCI AC World Index	6.4500	9.0400

1. AAuM = Average daily net assets
2. Gross income = amount against (A) in the Revenue account i.e. Income
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year
5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV.
6. The Total management fees and other expenses charged by the underlying fund along with the management fee and recurring expenses charged by the domestic Mutual Fund is as follows:

Scheme	TER charged by underlying Fund	TER of the domestic Fund	Total TER	Maximum TER Cap as per circular
2019-20				
HSBC Global Consumer Opportunities Fund – Benefiting From China’s Growing Consumption Power	0.70%	1.33%	2.03%	2.30% from 01-April-2019
2018-19				
HSBC Global Consumer Opportunities Fund – Benefiting From China’s Growing Consumption Power	0.70%	1.57%	2.27%	2.70% up to 29-May-2018 and 2.55% from 30-May-2018

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2020 and March 31, 2019 are NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the years ended March 31, 2020 & March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2020		2019	
Foreign Securities				
– Appreciation	5,657,420	16.05	8,902,372	24.63
– Depreciation	–	–	–	–

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2019-2020 (excluding accretion of discount) is 8,147,346 and 7,982,633 respectively being 22.51% and 22.05% of the average daily net assets.
The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2018-2019 (excluding accretion of discount) is 4,012,845 and 10,985,554 respectively being 10.29% and 28.18% of the average daily net assets.
- 1.8. Non-Traded securities in the portfolios as at March 31, 2020 & period ended March 31, 2019 are NIL.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	0.01	0.73	115,776.00	75.53

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2018-2019	0.23	24.12	168,110.80	75.07

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil. (Previous year also Nil)
 - (ii) Devolvement - Nil. (Previous year also Nil)
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil. (Previous year also Nil)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2020 & Period ended March 31, 2019.
- 4 Unit Capital movement during the year ended March 31, 2020:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	2,339,583.476	312,686.821	816,136.559	1,836,133.738	10
Direct Plan - Growth Option	450,119.614	632,004.762	101,327.572	980,796.804	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020**

Description	2018-2019				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	3,060,589.682	457,385.890	1,178,392.096	2,339,583.476	10
Direct Plan - Growth Option	288,693.940	259,739.719	98,314.045	450,119.614	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2020 is 244,572.037 & as on March 31, 2019 is 244,572.037.

- 5 No contingent liabilities for the years ended March 31, 2020 & March 31, 2019.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income credited to the scheme of 21,456 represents Exit load (net of GST) credited to the scheme. (2019 :- 17,559)
- 8 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.
- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2020

future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

Investors should not invest in the Scheme solely based on the information provided in this document and should read the Scheme Information Document and Statement of Additional Information of the Fund for details. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Asset Management (India) Private Ltd.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com



HSBC Fixed Term Series

A close ended income Schemes

Abridged Annual Report 2019 - 2020



Dear Investor,

"There are decades where nothing happens, and there are weeks where decades happen." — Vladimir Lenin

The past few weeks have been no less than a rollercoaster ride with seemingly never ending ups and downs. The financial markets now have begun to stabilize, and rally, in some cases. The extent of the rebound has varied across asset classes and regions. It is increasingly difficult to reconcile the exuberance of the equity/financial markets with the gloomy economic numbers. To help rationalize the inherent contradiction Aswath Damodaran, the globally renowned corporate finance expert stated "The markets are not a reflector of the real economy, but they are a predictor of the economy".



The scenario which the equity markets seem to be pricing in is that Central Banks globally will continue to maintain a loose monetary policy, a vaccine will be discovered and available by 2021 and the global economy will bounce back in 2021. With specific reference to India the global forecast for the financial year ending March 2022, India will be the fastest growing economy in the world. And that is why the equity markets are so buoyant. **'Progress is never easy. But if you believe the story continues, it will'.**

At volatile times like these the importance of asset allocation is critical. It is critical for all of us to review our risk appetite and goal proximity, and construct a portfolio appropriately. Besides construction, portfolio rebalancing is equally important in order to achieve optimal outcomes. Our observation is that investors seldom follow these cardinal principles. As an example investors have resorted to panic selling during the lows of March 2020 and were unable to capture the rebound in the equity markets. This is intrinsically because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

While the world markets are still uncertain and adapting to the new normal, we launched a new equity product, HSBC Focused Equity Fund which was met with an enthusiastic response from investors and distributors alike. Despite many major Indian cities still under a severe lockdown, we managed to garner Rs. 509 crores of AUM with the help of our distribution partners who managed to take this new product across the country and handed us trust of over 15,000 investors like you. A heartfelt thank you for your invaluable support to us.

We have also worked towards augmenting our digital capabilities by launching a few key projects such as AskMe, our interactive 24x7 Chatbot and Risk Profiler which will provide you with your risk score and will suggest category of funds you should look at for your future investments. You can visit our website www.assetmanagement.hsbc.co.in to access these.

As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon'. The signature is fluid and cursive.

Ravi Menon

Chief Executive Officer,

HSBC Global Asset Management Company, India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla - Chairperson

Mr. Nani Javeri - Trustee

Dr. T. C. Nair - Trustee

Mr. Pedro Bastos - Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal - Director

Dr. Indu Shahani - Director

Mr. Ravi Menon - Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2020

The Trustees of HSBC Mutual Fund ("Fund") present the Eighteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2020.

As at March 31, 2020, the Fund offered 34 schemes across asset classes to meet the varying investment needs of the investors. During FY 2019-2020, the Fund has launched various new products namely HSBC Ultra Short Duration Fund, HSBC Overnight Fund and HSBC Fixed Term Series -140 to fill the gaps in our product offering. Further, on July 1, 2020 the Fund has also launched HSBC Focused Equity Fund, an open ended equity scheme investing in maximum 30 stocks across market caps.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.com/in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Fixed Term Series – close ended income schemes

These are closed-ended income schemes that seek to generate return by investing in a portfolio of fixed income instruments which mature on or before maturity date of the respective Plan(s). Each Plan is managed as a separate portfolio. The Fixed Term Series under the respective Series with different tenures have performed in line with the yields prevailing for the relevant tenures at the time of launch, however, the Plan(s) does not assure or guarantee any returns.

Details of fixed term series schemes launched since last annual report is as under:

Scheme Name	Date of Launch
HSBC Fixed Term Series 140	April 26, 2019

Note: The performance of this Scheme is not provided as it has not yet completed one year.

The performance of Fixed Term Series which are in existence for more than a year as on March 31, 2020 is provided below:

Fund/Benchmark	Absolute Returns (%)		Compounded Annualized Returns (%)		Inception Date
	1 Year		Since Inception		
	Amount (Rs.)	Returns (%)	Amount (Rs.)	Returns (%)	
HSBC Fixed Term Series 128 - Regular - Growth	10,724	7.18	12,167	6.88	20-Apr-17
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	12,609	8.18	
HSBC Fixed Term Series 129 - Regular - Growth	10,810	8.03	12,134	7.11	07-Jun-17
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	12,369	7.84	
HSBC Fixed Term Series 130 - Regular – Growth	10,850	8.43	11,815	7.61	22-Dec-17
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	12,150	8.94	
HSBC Fixed Term Series 131 - Regular – Growth	10,694	6.88	11,477	7.02	21-Mar-18
Scheme Benchmark (CRISIL Short Term Bond Fund Index)	11,268	12.57	12,157	10.10	

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Fund/Benchmark	Absolute Returns (%)		Compounded Annualized Returns (%)		Inception Date
	1 Year		Since Inception		
	Amount (Rs.)	Returns (%)	Amount (Rs.)	Returns (%)	
HSBC Fixed Term Series 132 - Regular – Growth	10,832	8.25	11,615	7.56	12-Mar-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	12,213	10.22	
HSBC Fixed Term Series 133 - Regular – Growth	10,656	6.50	11,399	6.72	27-Mar-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	12,016	9.55	
HSBC Fixed Term Series 134 - Regular – Growth	9,736	-2.62	10,399	2.18	8-June-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	12,224	11.71	
HSBC Fixed Term Series 135 - Regular – Growth	9,774	-2.24	10,349	2.01	10-Jul-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	12,101	11.68	
HSBC Fixed Term Series 136 - Regular – Growth	9,901	-0.98	10,368	2.24	13-Aug-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	11,975	11.67	
HSBC Fixed Term Series 137 - Regular – Growth	10,933	9.25	11,204	9.94	18-Jan-19
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	11,508	12.42	
HSBC Fixed Term Series 139 - Regular – Growth	10,966	9.58	11,132	10.31	26-Feb-19
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,268	12.57	11,457	13.25	

Past performance may or may not be sustained in future. 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 business day of March 2020 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Note: For FTS 134,135 and 136 - One of our exposure (Dewan Housing Finance Corporation Ltd) has been downgraded to 'D' from 'BBB-'. We have written off 75% of the interest accrued till 3rd June 2019 and have also written off principal by 75%, resulting in underperformance.

Fund/Benchmark	1 Year		3 Years		Since Inception	
	Amount in Rs.	Returns (%)	Amount in Rs.	Returns (%)	Amount in Rs.	Returns (%)
HSBC Fixed Term Series 125 – Regular – Growth#	10,706	7.06	12,406	7.45	12,506	7.61
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,672	6.72	12,309	7.17	12,428	7.39
HSBC Fixed Term Series 126 – Regular – Growth@	10,740	7.36	12,361	7.32	12,458	7.31
Scheme Benchmark (CRISIL Composite Bond Fund Index)	11,162	11.55	12,587	7.97	12,750	8.11

matured on April 18, 2019

@ matured on July 1, 2019

Trustees' Report

For the year ended March 31, 2020 (Contd...)

Past performance may or may not be sustained in future. 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 maturity date of the respective scheme for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY2019-20:

From an equity markets point of view, Fiscal 2019-20 can be divided into 2 distinct periods viz pre COVID-19 impact and post impact periods. Though the latter was only seen for the last 40 days of the fiscal year or so, it was enough to change the return profile of equities in a dramatic manner. Till 20 Feb 2020, the benchmark equity indices had recorded gains from a fiscal year perspective (except for Smallcap index), but the picture changed materially after that owing to the pandemic, with all indices showing significant declines as we closed the year.

COVID-19 pandemic led to one of the sharpest corrections seen in the equity markets in India and globally. It started as a concern in China but soon spread to countries across the globe including the US and the Europe. India initiated a nationwide lockdown from last week of March in-order to contain the spread of the virus and the lockdown phase saw several rounds of extensions thereafter into FY2020-21.

All indices ended with sharp losses for the year with the broader market indices doing much worse than the benchmark market indices. The global crude oil prices plunged by two-third during the year largely due to demand concerns owing to the pandemic. The INR depreciated by about 9% during the year, with again the sharpest depreciation phase of the year seen during March.

On the institutional flows side, FPI flows also painted a similar story as that of markets. The FIs had seen net inflows to the tune of USD 9.18 bn for the first 11 months but during the month of March 2020, the segment saw net outflows of USD 8.39 bn. This meant that the FIs ended the fiscal with a marginal net inflow figure of USD 786 mn.

Indices Returns (April 1, 2019 to March 31, 2020)	1 Year (%)
S&P BSE Sensex TR	-22.9%
NSE CNX Nifty TR	-25.0%
S&P BSE 100 TR	-25.6%
S&P BSE 200 TR	-25.4%
S&P BSE 500 TR	-26.5%
S&P BSE Midcap TR	-30.8%
S&P BSE 250 Small-cap TR	-40.8%

Source: Bloomberg (All values are for total return indices)

Way forward:

The COVID-19 pandemic has been a black-swan event for the global markets. The event itself was an unprecedented one, given that it was a Health-Humanitarian-Economic-Financial crisis, all rolled into one. There was/is no playbook available to assess and handle the situation in the near term as well as the medium to long term.

Focusing on economic impact, we can classify its impact on the market seen so far, into two phases – lockdown phase and the post lockdown phase. During the lockdown phase, the market was gyrating to supply shock initially and later to potential demand contraction. During that time the focus of the market was on companies that would be able to survive the extended lockdown. In the post lockdown phase, the markets have begun to look forward to resumption in supply as well as recovery in demand. At the moment, the focus

Trustees' Report

For the year ended March 31, 2020 (Contd...)

of the market is on companies which would revive quickly. Going forward, once the pandemic is over and the economy returns to normalcy then the focus of the market would be on companies that would thrive.

Focusing on the financial markets impact, we have seen that the equity markets have rebounded sharply from the March lows. In our belief, it is because, the market is looking ahead to forward data pertaining to when the economy would become normal whereas the economic data pertains to the period of lockdown. Additionally, swift monetary policy actions by the Central banks globally and in India, helped to calm financial markets while fiscal stimuli, particularly in the developed economies, would aid in demand recovery. Finally, after the initial fall, markets valuations had turned attractive and this too acted as a tailwind for the rally. Then there has been a sector rotation too and the laggards catching up is the second leg of the recovery trade. Market pricing suggest expectations of a low growth and subdued inflation environment going forward and also seems to discount swoosh style recovery scenario. Right now, we don't have a big quarrel with either the market levels or the forecasts. Uncertainty around the recovery path and the timeline is because the COVID-19 pandemic is still ongoing and there is no timeline for treatment or cure or vaccine.

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 anywhere in the range of 3 to 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. 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. This will constrain fiscal room in providing continued direct support to revive the flagging demand. The investment cycle will likely be pushed back further. Since the global growth is also going to take a beating, the external demand environment is also likely to remain challenging.

So, in order to estimate impact on economy as well as corporate earnings, we need to make certain assumptions. If we assume that the current pandemic will slowly wean away in 2QFY21, then there would recovery starting 2HFY21. We also have to assume that there is no second wave of the virus outbreak. And even if there is one, it would be localized in nature and the economic impact would be limited. This shall pave way for FY22 to be a normal year. From a growth perspective the numbers would look strong as they would come on the back of weak FY21. However, risks to these assumptions shouldn't be underestimated. If these assumptions turn out to be right, then FY21 corporate earnings would be similar to FY20 with sectors like Consumer Staples, Telecom, Healthcare, select Financials showing growth while sectors like Auto, Industrials, Metals, Real Estate, Technology could show declines. But with recovery process expected in 2HFY21, both the economy as well as the corporate earnings could show robust growth in FY22. In this scenario, the sectors that are expected to show meaningful earnings traction in FY22 would be the likes of Consumer Discretionary, Financials, and Industrials.

COVID-19 is potentially evolving as the biggest disruption in our living memory. Over the past couple of decades, we have witnessed disruptions giving rise to new themes and thereby creating investment opportunities. Be it the GFC crisis (financial markets disruption), Taper tantrum, DeMon and GST (both of which gave rise to the formalization theme), each set of crises have seen new trends emerging from the scene. COVID-19 being an unprecedented one at that, we believe that there would be an emergence of a new normal with impact felt across industries (though the impact will not be uniform). Even before this disruption, the most prominent theme that drove our portfolio construction view was that of profit pool migration towards market share gainers. This has led to big companies becoming bigger and stronger. This theme was visibly across many sectors – notably among Financials, Telecom, Real Estate, Airlines etc. Due to the COVID-19 disruption, this process of profit pool migration towards dominant players will accelerate. The trend would be there in most sectors but it would likely be more visible in more disrupted sectors like Travel, Entertainment, Hospitality, Construction etc. From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. We see telecom, internet economy, ecommerce, technology vendors etc to benefit from this disruption. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy which could be adopted by corporates as well as economies and India could stand to benefit out of that.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

In the short term, we are more positive on sectors that exhibit revenue and earnings resilience as the impact of the Pandemic and the resultant lockdown in the economy is not uniform across sectors. We believe that in the near term, growth will be scarce and the balance sheet strength of the companies will be challenged in a year like the current one. So a company that is displaying growth in earnings and having balance sheet strength will command a premium and market would be willing to pay. We believe that the revenue and earnings resilience is most likely to be demonstrated by segments that are in the business of providing basic and essential products/services. (Example: Consumer Staples, Healthcare and Telecom). We have a positive view of these sectors. We are also 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). Currently, we believe that private sector capex as well as govt capex will get delayed and we hold negative view on the sectors dependent on capex. We also have negative view on labour intensive sectors such as construction, travel, hospitality etc.

➤ DEBT OUTLOOK

Market drivers during the course of the year FY20

Fixed Income markets for the year began on a positive note, supported by accommodative RBI actions, elections outcome favoring the ruling government, and GOI sticking to fiscal prudence in its final budget in July 2019. The benchmark (10 year) saw a strong rally in Q1, and it moved from a high of around 7.47% in April 2019 to 6.35% by Mid-July. Thereafter market has remained range bound until Feb 2020, witnessing intermittent spike up to 6.8% in Sept and December 2019. While RBI's accommodative stance and rate cuts was supportive for the market, weak growth and fiscal concerns began to emanate from second half particularly closer to budget. The concerns were somewhat put to rest in the Feb 2020 budget, wherein despite announcing fiscal deviation there was no additional borrowing. Post budget, the sentiment led to the rally taking the benchmark 10-year bond closer to 6%. COVID fears towards the end of year spooked the markets with the benchmark 10yr moving to ~6.4% post which RBI's sharp rate cut of 75bps along with several other liquidity measures, led to market respite.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, starting with a 25bp rate cut in April 19 with a total of 75bp until March 2020, taking the repo rate from 6% to 5.15% through the period. In March 2020, RBI made a further sharp 75bps of rate cut taking the repo rate down to 4.4% by the end of the year FY20. RBI has maintained its accommodative stance focusing more on revival of growth as weak growth seemed to take a precedence over inflation. Also inflation for most part of the year was well under control.

Inflation: Inflation for the first half of the year was largely under 4%, while spike in inflation began to set in the second half of the year post monsoons, driven by uneven distribution of monsoons in some parts of the country. Food inflation started to see a spike during the beginning of winter as overall inflation touched a peak of 7.6% in January 2020 before starting to temper downwards up to 5.9% in March 2020. While there is some evidence of supply side shocks, the trajectory is not likely to become a cause of concern in the near term.

Liquidity: During the year, system liquidity has moved from deficit to surplus. As the year progressed, the surplus liquidity in the system had become fairly pronounced. Beginning with a deficit of ~INR 1400bn in March 19, the surplus moved all the way up to INR 6200bn towards the end of March 2020. Liquidity was facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

The credit segment during the course of the year has witnessed significant edginess, beginning with the default of one large housing finance company. Since the IL&Fs default in 2018, overall credit space (especially below AAA) and particularly the NBFC sector has been under significant refinance pressure. The overall situation has therefore remained grim throughout the year with banks also maintaining a fair bit of risk aversion in lending.

Market Outlook

Despite RBI's sharp rate cut of 75bp toward the end of the year, markets witnessed a temporary spike in yield on the back of fiscal uncertainty. Markets has been worried about the co-vid induced uncertainty on the fiscal

Trustees' Report

For the year ended March 31, 2020 (Contd...)

and growth. The benchmark 10-year bond tested 6.5% by mid-April, but subsequently the entire yield curve rallied. Factoring in Liquidity, the short-medium part of the curve performed better and came down more than the longer end of the curve leading to steepening in the yield curve. To counter the pandemic pressure and to revive the economy, the Central bank along with the Government has announced several steps to address the liquidity issues along with targeted measures to revive the economy. These Policy measures by both government and central bank were targeted towards reviving the economy via provision for credit availability, immediate reforms and structural reforms. These steps helped in restoring normalcy in the financial market with the benchmark 10-year bond trending below the physiological 6% mark in the first quarter of FY21. However, the overhang of the pandemic and the resultant fiscal pressures and uncertainty is not expected to ease very quickly. While economic activity is improving, resumption of pre-COVID situation is still some time away. Also it is imperative to note that growth and fiscal situation was weak even prior to COVID. Therefore, the path to robust recovery is perhaps more than a couple of quarters away.

On the positive side, RBI's accommodative measures both directed at rates and in policy measures aimed at easing financial conditions shows 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. Inflation is not a significant cause of concern. In the current backdrop of a very weak fiscal condition, as expected 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. Furthermore, current Rabi harvest, ongoing monsoon, Khariff crop sowing may be positive for demand recovery from the rural side. On balance, the near term is fraught with lot of uncertainties, with G-sec supply that remains heavy, banks are still cautious on lending and fiscal pressures lingering on which sufficiently offset RBI's accommodation. However, overall, fixed income markets may remain well supported by expectation of further rate cuts, normal monsoon, benign inflation numbers, and a definite growth slowdown. On the flip side, high gross borrowings leading to adverse demand supply equation for government securities, and any slippage in fiscal numbers, would be the key and risks for the market.

2. BRIEF BACKGROUND OF SPONSORS, BOARD OF TRUSTEES AND ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and the Board of Individual Trustees. The Trustee has entered into an Investment Management Agreement dated February 7, 2002 with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund was registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/income arising therefrom.

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities

Trustees' Report

For the year ended March 31, 2020 (Contd...)

as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2020:

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Fixed Term Series 89	Nil	Nil	668,840.00	1

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centres in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434/1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empanelled distributors was 905 as on March 31, 2020. During the year, the AMC initiated tie-ups for online distribution of the Mutual Fund's schemes with several channel partners taking the total number of such tie-ups to 45.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2019 - March 2020 are as follows:

2019-2020												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	1	1	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	23	23	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	0	0	0	0	0
IV	Others	1	16	16	1	0	0	0	0	0	0	0
	Total	1	54	54	1	0	0	0	0	0	0	0

Summary of Complaints for FY 2019-20

Particulars	Count
Total complaints received	54
Total number of folios	160786
% of complaints against the folio	0.036%

active folios

** As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall

Trustees' Report

For the year ended March 31, 2020 (Contd...)

complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

8. INVESTOR EDUCATION INITIATIVES

The AMC has conducted Investor Awareness Programs (IAPs) in various cities and adopted districts event to help investors understand benefits of equity investing through mutual funds. AMC has undertaken the initiatives to engage with investors across certain locations on various topics. This helps improve the level of financial literacy within retail investor base. During this period, we have conducted IAP events in 3 adopted districts Patna, Nagpur and Gautam Buddh Nagar (Noida) as well.

The AMC conducted 15 Investor Awareness Programme events in 14 cities across India to help investors understand benefits of equity investing through mutual funds. In addition, Investor awareness advertisement were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'.

The AMC has launched a full-service online platform for retail investors whereby a prospective or existing investor can buy mutual fund directly from our online platform without any distributor/broker and can also raise any service query regarding his folio.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes.

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2019-2020 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2019	139	122	5	12
September 2019	992	850	60	82
December 2019	15	14	1	0
March 2020	44	33	5	6
Total	1,190	1,019	71	100

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2019-20. The certificate dated May 11, 2020 issued by M/s. M. P. Chitale & Co., is available on the website of the AMC as part of the full Annual Report.

Unit holders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2019-20 or log on to our website at www.assetmanagement.hsbc.com/in.

10. STATUTORY DETAILS

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond initial contribution of Rs. 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website at www.assetmanagement.hsbc.com/in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

Trustees' Report

For the year ended March 31, 2020 (Contd...)

11. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Mutual Fund was holding non-convertible Debentures (NCDs) of Dewan Housing Finance Corporation Ltd (DHFL) in HSBC Low Duration Fund, HSBC Short Duration Fund, HSBC Fixed Term Series 134, 135 and 136. In our previous Annual Report, we had disclosed that these bonds were downgraded to a default rating "D" (at the time of investment, these secured NCDs were rated AAA by CARE) and was valued after applying a standard haircut of 75% from June 04, 2019 onwards, as applicable to secured debt securities with a "D" rating. Some of these NCDs had matured on August 16, 2019 and September 09, 2019 respectively and DHFL did not meet maturity obligations of these bonds.

Since our last Annual Report, DHFL was placed under corporate insolvency resolution process initiated by the RBI. However, due to the ongoing COVID-19 pandemic and resultant national lockdown, the resolution process has been delayed without a clear timeline for closure of the process. Further, there were trading/settlement restrictions applicable on matured NCDs, which had diminished the possibility of any immediate sale of the matured NCDs held by the schemes. Given that a timeline for recovery of proceeds was difficult to estimate, on May 08, 2020, the AMC decided to further mark down the matured DHFL NCDs from 75% to 100% and sold other DHFL NCDs (maturing on 04 Jun 2021 and 09 Sept 2021) by way of a secondary market trade at a discount to the last valued price. On 23rd June 2020, SEBI issued a circular detailing the operational framework for transaction in defaulted securities post maturity, which came into effect from 1st July 2020. On July 06, 2020, the AMC sold the matured NCDs of DHFL at a price, discounted to the face value and the sale proceeds were credited to the respective schemes. Currently, none of the schemes of HSBC Mutual Fund have any exposure to DHFL.

12. ACKNOWLEDGEMENTS

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of the Board of Trustees of HSBC Mutual Fund

Sd/-

Nani Javeri

Trustee

Mumbai

August 11, 2020.

Independent Auditors' Report

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 128

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 128** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248WW-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report (Contd...)

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 129

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 129** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No : 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report *(Contd...)*

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 130

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 130** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248WW-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report (Contd...)

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 131

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 131** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248WW-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report *(Contd...)*

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 132

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 132** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> • Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. • Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. • We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. • We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. • We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. • We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report (Contd...)

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report (Contd...)

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 133

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 133** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report *(Contd...)*

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 134

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HSBC Fixed Term Series 134 (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net deficit and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report (Contd...)

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 135

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 135** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net deficit and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report *(Contd...)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248WW-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report *(Contd...)*

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 136

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 136** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net deficit and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report (Contd...)

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 137

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 137** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

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As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report *(Contd...)*

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 139

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 139** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248WW-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Independent Auditors' Report (Contd...)

To the Board of Trustees of

HSBC Mutual Fund – HSBC Fixed Term Series 140

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 140** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2020 and the revenue account and cash flow statement for the period from 26 April 2019 (the 'date of allotment') to 31 March 2020 (the 'Period'), and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2020, its net surplus and cash flows for the period ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
Fair valuation of debt securities	
Refer Note 2.2 (II) to the financial statements	
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. Fair valuation of debt securities requires application of valuation principles prescribed by the SEBI Regulations. We have identified fair valuation of debt securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We tested investment valuation policy approved by the Trustee for its compliance with the SEBI Regulations. We understood, evaluated and tested the design and operating effectiveness of controls around the fair valuation of debt securities. We checked that the prices used by the Scheme to fair value the debt securities were in accordance with the investment valuation policy. We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Trustees of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, surplus / deficit and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes maintenance of adequate accounting records in accordance with the Regulations, the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees of HSBC Mutual Fund and the AMC are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Scheme as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2020, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Trustees of HSBC Mutual Fund, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No. 067114

UDIN :

Place : Mumbai

Date : 11 August, 2020

Abridged Balance Sheet as at March 31, 2020

Rs. in Lakhs

		HSBC FIXED TERM SERIES 128	
		As at March 31, 2020	As at March 31, 2019
LIABILITIES			
1	Unit Capital	6,508.74	6,508.74
2	Reserves & Surplus		
2.1	Unit Premium Reserves	-	-
2.2	Unrealised Appreciation Reserve	5.60	-
2.3	Other Reserves	1,418.13	886.55
3	Loans & Borrowings	-	-
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	-	-
4.2	Other Current Liabilities & Provisions	6.00	36.79
TOTAL		7,938.47	7,432.08
ASSETS			
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	-	-
1.1.2	Preference Shares	-	-
1.1.3	Equity Linked Debentures	-	-
1.1.4	Other Debentures & Bonds	3,125.71	6,367.65
1.1.5	Securitised Debt Securities	-	-
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	-	-
1.2.2	Preference Shares	-	-
1.2.3	Equity Linked Debentures	-	-
1.2.4	Other Debentures & Bonds	-	-
1.2.5	Securitised Debt Securities	-	-
1.3	Unlisted Securities:		
1.3.1	Equity Shares	-	-
1.3.2	Preference Shares	-	-
1.3.3	Equity Linked Debentures	-	-
1.3.4	Other Debentures & Bonds	-	-
1.3.5	Securitised Debt Securities	-	-
1.4	Government Securities	-	505.76
1.5	Treasury Bills	-	-
1.6	Commercial Paper	-	-
1.7	Certificate of Deposits	-	-
1.8	Bill Rediscounting	-	-
1.9	Units of Domestic Mutual Fund	-	-
1.10	Foreign Securities	-	-
Total Investments		3,125.71	6,873.41
2	Deposits	-	0.41
3	Other Current Assets		
3.1	Cash & Bank Balance	0.31	1.39
3.2	TREPS / Reverse Repo Lending	4,632.38	347.23
3.3	Others	180.07	209.64
4	Deferred Revenue Expenditure (to the extent not written off)	-	-
TOTAL		7,938.47	7,432.08

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 129	
		As at March 31, 2020	As at March 31, 2019
LIABILITIES			
1	Unit Capital	5,009.43	5,009.43
2	Reserves & Surplus		
2.1	Unit Premium Reserves	-	-
2.2	Unrealised Appreciation Reserve	1.08	-
2.3	Other Reserves	1,073.00	618.73
3	Loans & Borrowings	-	-
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	-	-
4.2	Other Current Liabilities & Provisions	3.19	36.90
TOTAL		6,086.70	5,665.06
ASSETS			
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	-	-
1.1.2	Preference Shares	-	-
1.1.3	Equity Linked Debentures	-	-
1.1.4	Other Debentures & Bonds	4,896.47	4,832.76
1.1.5	Securitised Debt Securities	-	-
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	-	-
1.2.2	Preference Shares	-	-
1.2.3	Equity Linked Debentures	-	-
1.2.4	Other Debentures & Bonds	-	-
1.2.5	Securitised Debt Securities	-	-
1.3	Unlisted Securities:		
1.3.1	Equity Shares	-	-
1.3.2	Preference Shares	-	-
1.3.3	Equity Linked Debentures	-	-
1.3.4	Other Debentures & Bonds	-	-
1.3.5	Securitised Debt Securities	-	-
1.4	Government Securities	256.19	257.49
1.5	Treasury Bills	-	-
1.6	Commercial Paper	-	-
1.7	Certificate of Deposits	496.23	-
1.8	Bill Rediscounting	-	-
1.9	Units of Domestic Mutual Fund	-	-
1.10	Foreign Securities	-	-
Total Investments		5,648.89	5,090.25
2	Deposits	-	1.49
3	Other Current Assets		
3.1	Cash & Bank Balance	0.65	0.01
3.2	TREPS / Reverse Repo Lending	237.02	372.88
3.3	Others	200.14	200.43
4	Deferred Revenue Expenditure (to the extent not written off)	-	-
TOTAL		6,086.70	5,665.06

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

HSBC FIXED TERM SERIES 130		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	2,296.23
		2,296.23
2	Reserves & Surplus	
2.1	Unit Premium Reserves	-
2.2	Unrealised Appreciation Reserve	23.41
2.3	Other Reserves	397.93
		207.25
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	1.10
		17.80
	TOTAL	2,718.67
		2,521.28
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	1,984.63
1.1.5	Securitised Debt Securities	-
		1,806.65
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	249.54
1.3.5	Securitised Debt Securities	-
		246.83
1.4	Government Securities	220.49
		218.89
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	2,454.66
		2,272.37
2	Deposits	-
		0.63
3	Other Current Assets	
3.1	Cash & Bank Balance	0.03
		0.01
3.2	TREPS / Reverse Repo Lending	216.23
		205.99
3.3	Others	47.75
		42.28
4	Deferred Revenue Expenditure (to the extent not written off)	-
		-
	TOTAL	2,718.67
		2,521.28

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

HSBC FIXED TERM SERIES 131		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	4,030.36
		4,030.36
2	Reserves & Surplus	
2.1	Unit Premium Reserves	-
2.2	Unrealised Appreciation Reserve	24.89
		3.49
2.3	Other Reserves	590.25
		302.17
3	Loans & Borrowings	-
		-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
		-
4.2	Other Current Liabilities & Provisions	1.10
		17.38
	TOTAL	4,646.60
		4,353.40
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
		-
1.1.2	Preference Shares	-
		-
1.1.3	Equity Linked Debentures	-
		-
1.1.4	Other Debentures & Bonds	3,505.47
		3,135.04
1.1.5	Securitised Debt Securities	-
		-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
		-
1.2.2	Preference Shares	-
		-
1.2.3	Equity Linked Debentures	-
		-
1.2.4	Other Debentures & Bonds	-
		-
1.2.5	Securitised Debt Securities	-
		-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
		-
1.3.2	Preference Shares	-
		-
1.3.3	Equity Linked Debentures	-
		-
1.3.4	Other Debentures & Bonds	401.62
		397.52
1.3.5	Securitised Debt Securities	-
		-
1.4	Government Securities	510.33
		503.65
1.5	Treasury Bills	-
		-
1.6	Commercial Paper	-
		-
1.7	Certificate of Deposits	-
		-
1.8	Bill Rediscounting	-
		-
1.9	Units of Domestic Mutual Fund	-
		-
1.10	Foreign Securities	-
		-
	Total Investments	4,417.42
		4,036.21
2	Deposits	-
		0.36
3	Other Current Assets	
3.1	Cash & Bank Balance	0.56
		0.15
3.2	TREPS / Reverse Repo Lending	120.78
		187.79
3.3	Others	107.84
		128.89
4	Deferred Revenue Expenditure (to the extent not written off)	-
		-
	TOTAL	4,646.60
		4,353.40

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

HSBC FIXED TERM SERIES 132		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	12,322.58
		12,322.58
2	Reserves & Surplus	
2.1	Unit Premium Reserves	-
2.2	Unrealised Appreciation Reserve	3.03
2.3	Other Reserves	1,988.96
		897.26
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	7.67
		31.15
	TOTAL	14,322.24
		13,250.99
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	11,618.66
1.1.5	Securitised Debt Securities	-
		10,770.35
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	1,217.41
1.3.5	Securitised Debt Securities	-
		1,200.30
1.4	Government Securities	933.04
		621.05
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	13,769.11
		12,591.70
2	Deposits	-
		0.96
3	Other Current Assets	
3.1	Cash & Bank Balance	0.02
		0.01
3.2	TREPS / Reverse Repo Lending	62.43
		261.13
3.3	Others	490.68
		397.19
4	Deferred Revenue Expenditure (to the extent not written off)	-
		-
	TOTAL	14,322.24
		13,250.99

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 133	
		As at March 31, 2020	As at March 31, 2019
LIABILITIES			
1	Unit Capital	9,639.72	9,639.72
2	Reserves & Surplus		
2.1	Unit Premium Reserves	-	-
2.2	Unrealised Appreciation Reserve	4.30	-
2.3	Other Reserves	1,352.02	681.08
3	Loans & Borrowings	-	-
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	-	-
4.2	Other Current Liabilities & Provisions	5.44	40.87
TOTAL		11,001.48	10,361.67
ASSETS			
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	-	-
1.1.2	Preference Shares	-	-
1.1.3	Equity Linked Debentures	-	-
1.1.4	Other Debentures & Bonds	7,689.30	7,992.76
1.1.5	Securitised Debt Securities	-	-
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	-	-
1.2.2	Preference Shares	-	-
1.2.3	Equity Linked Debentures	-	-
1.2.4	Other Debentures & Bonds	-	-
1.2.5	Securitised Debt Securities	-	-
1.3	Unlisted Securities:		
1.3.1	Equity Shares	-	-
1.3.2	Preference Shares	-	-
1.3.3	Equity Linked Debentures	-	-
1.3.4	Other Debentures & Bonds	778.34	767.40
1.3.5	Securitised Debt Securities	-	-
1.4	Government Securities	953.73	946.85
1.5	Treasury Bills	-	-
1.6	Commercial Paper	-	-
1.7	Certificate of Deposits	1,191.46	-
1.8	Bill Rediscounting	-	-
1.9	Units of Domestic Mutual Fund	-	-
1.10	Foreign Securities	-	-
Total Investments		10,612.83	9,707.01
2	Deposits	-	0.50
3	Other Current Assets		
3.1	Cash & Bank Balance	0.03	0.01
3.2	TREPS / Reverse Repo Lending	230.43	419.97
3.3	Others	158.19	234.18
4	Deferred Revenue Expenditure (to the extent not written off)	-	-
TOTAL		11,001.48	10,361.67

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

HSBC FIXED TERM SERIES 134		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	15,706.32
		15,706.32
2	Reserves & Surplus	
2.1	Unit Premium Reserves	-
2.2	Unrealised Appreciation Reserve	70.44
		42.25
2.3	Other Reserves	591.10
		1,049.26
3	Loans & Borrowings	-
		-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	7.90
		59.81
	TOTAL	16,375.76
		16,857.64
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
		-
1.1.2	Preference Shares	-
		-
1.1.3	Equity Linked Debentures	-
		-
1.1.4	Other Debentures & Bonds	13,297.96
		13,524.11
1.1.5	Securitised Debt Securities	-
		-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
		-
1.2.2	Preference Shares	-
		-
1.2.3	Equity Linked Debentures	-
		-
1.2.4	Other Debentures & Bonds	-
		-
1.2.5	Securitised Debt Securities	-
		-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
		-
1.3.2	Preference Shares	-
		-
1.3.3	Equity Linked Debentures	-
		-
1.3.4	Other Debentures & Bonds	-
		-
1.3.5	Securitised Debt Securities	-
		-
1.4	Government Securities	2,025.71
		2,000.89
1.5	Treasury Bills	-
		-
1.6	Commercial Paper	-
		-
1.7	Certificate of Deposits	239.38
		-
1.8	Bill Rediscounting	-
		-
1.9	Units of Domestic Mutual Fund	-
		-
1.10	Foreign Securities	-
		-
	Total Investments	15,563.05
		15,525.00
2	Deposits	-
		1.50
3	Other Current Assets	
3.1	Cash & Bank Balance	0.04
		0.01
3.2	TREPS / Reverse Repo Lending	277.69
		530.17
3.3	Others	534.98
		800.96
4	Deferred Revenue Expenditure (to the extent not written off)	-
		-
	TOTAL	16,375.76
		16,857.64

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 135	
		As at March 31, 2020	As at March 31, 2019
LIABILITIES			
1	Unit Capital	16,744.68	16,744.68
2	Reserves & Surplus		
2.1	Unit Premium Reserves	-	-
2.2	Unrealised Appreciation Reserve	60.68	35.48
2.3	Other Reserves	547.79	966.66
3	Loans & Borrowings	-	-
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	-	-
4.2	Other Current Liabilities & Provisions	9.61	45.84
TOTAL		17,362.76	17,792.66
ASSETS			
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	-	-
1.1.2	Preference Shares	-	-
1.1.3	Equity Linked Debentures	-	-
1.1.4	Other Debentures & Bonds	13,958.13	14,586.08
1.1.5	Securitised Debt Securities	-	-
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	-	-
1.2.2	Preference Shares	-	-
1.2.3	Equity Linked Debentures	-	-
1.2.4	Other Debentures & Bonds	-	-
1.2.5	Securitised Debt Securities	-	-
1.3	Unlisted Securities:		
1.3.1	Equity Shares	-	-
1.3.2	Preference Shares	-	-
1.3.3	Equity Linked Debentures	-	-
1.3.4	Other Debentures & Bonds	-	-
1.3.5	Securitised Debt Securities	-	-
1.4	Government Securities	2,056.55	2,031.36
1.5	Treasury Bills	-	-
1.6	Commercial Paper	-	-
1.7	Certificate of Deposits	-	-
1.8	Bill Rediscounting	-	-
1.9	Units of Domestic Mutual Fund	-	-
1.10	Foreign Securities	-	-
Total Investments		16,014.68	16,617.44
2	Deposits	-	0.87
3	Other Current Assets		
3.1	Cash & Bank Balance	0.05	0.01
3.2	TREPS / Reverse Repo Lending	510.10	375.60
3.3	Others	837.93	798.74
4	Deferred Revenue Expenditure (to the extent not written off)	-	-
TOTAL		17,362.76	17,792.66

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

HSBC FIXED TERM SERIES 136		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	4,770.24
		4,770.24
2	Reserves & Surplus	
2.1	Unit Premium Reserves	-
2.2	Unrealised Appreciation Reserve	15.19
2.3	Other Reserves	160.66
3	Loans & Borrowings	
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	3.65
	TOTAL	4,949.74
		5,022.20
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	4,175.81
1.1.5	Securitised Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitised Debt Securities	-
1.4	Government Securities	522.43
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	4,698.24
		4,580.34
2	Deposits	
		-
3	Other Current Assets	
3.1	Cash & Bank Balance	0.02
3.2	TREPS / Reverse Repo Lending	69.12
3.3	Others	182.36
4	Deferred Revenue Expenditure (to the extent not written off)	
		-
	TOTAL	4,949.74
		5,022.20

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

HSBC FIXED TERM SERIES 137		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	5,873.59
		5,873.59
2	Reserves & Surplus	
2.1	Unit Premium Reserves	-
2.2	Unrealised Appreciation Reserve	114.37
2.3	Other Reserves	599.94
3	Loans & Borrowings	
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	3.02
	TOTAL	6,590.92
		6,030.94
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	5,480.30
1.1.5	Securitised Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitised Debt Securities	-
1.4	Government Securities	764.79
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	6,245.09
		5,869.74
2	Deposits	-
		0.13
3	Other Current Assets	
3.1	Cash & Bank Balance	0.03
3.2	TREPS / Reverse Repo Lending	227.21
3.3	Others	118.59
4	Deferred Revenue Expenditure (to the extent not written off)	
		-
	TOTAL	6,590.92
		6,030.94

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

HSBC FIXED TERM SERIES 139		
	As at March 31, 2020	As at March 31, 2019
LIABILITIES		
1	Unit Capital	4,282.68
		4,282.68
2	Reserves & Surplus	
2.1	Unit Premium Reserves	-
2.2	Unrealised Appreciation Reserve	100.17
		35.20
2.3	Other Reserves	387.63
		31.55
3	Loans & Borrowings	-
		-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
		-
4.2	Other Current Liabilities & Provisions	2.44
		7.04
	TOTAL	4,772.92
		4,356.47
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
		-
1.1.2	Preference Shares	-
		-
1.1.3	Equity Linked Debentures	-
		-
1.1.4	Other Debentures & Bonds	4,044.59
		3,897.08
1.1.5	Securitised Debt Securities	-
		-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
		-
1.2.2	Preference Shares	-
		-
1.2.3	Equity Linked Debentures	-
		-
1.2.4	Other Debentures & Bonds	-
		-
1.2.5	Securitised Debt Securities	-
		-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
		-
1.3.2	Preference Shares	-
		-
1.3.3	Equity Linked Debentures	-
		-
1.3.4	Other Debentures & Bonds	-
		-
1.3.5	Securitised Debt Securities	-
		-
1.4	Government Securities	415.82
		357.82
1.5	Treasury Bills	-
		-
1.6	Commercial Paper	-
		-
1.7	Certificate of Deposits	-
		-
1.8	Bill Rediscounting	-
		-
1.9	Units of Domestic Mutual Fund	-
		-
1.10	Foreign Securities	-
		-
	Total Investments	4,460.41
		4,254.90
2	Deposits	-
		-
3	Other Current Assets	
3.1	Cash & Bank Balance	0.84
		0.01
3.2	TREPS / Reverse Repo Lending	243.84
		71.34
3.3	Others	67.83
		30.22
4	Deferred Revenue Expenditure (to the extent not written off)	-
		-
	TOTAL	4,772.92
		4,356.47

Notes to Accounts - Annexure I

Abridged Balance Sheet as at March 31, 2020 (Contd...)

Rs. in Lakhs

HSBC FIXED TERM SERIES 140#

As at March 31, 2020

LIABILITIES		
1	Unit Capital	3,849.88
2	Reserves & Surplus	
2.1	Unit Premium Reserves	-
2.2	Unrealised Appreciation Reserve	76.49
2.3	Other Reserves	291.17
3	Loans & Borrowings	-
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	-
4.2	Other Current Liabilities & Provisions	2.88
	TOTAL	4,220.42
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	-
1.1.2	Preference Shares	-
1.1.3	Equity Linked Debentures	-
1.1.4	Other Debentures & Bonds	3,616.75
1.1.5	Securitised Debt Securities	-
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	-
1.2.2	Preference Shares	-
1.2.3	Equity Linked Debentures	-
1.2.4	Other Debentures & Bonds	-
1.2.5	Securitised Debt Securities	-
1.3	Unlisted Securities:	
1.3.1	Equity Shares	-
1.3.2	Preference Shares	-
1.3.3	Equity Linked Debentures	-
1.3.4	Other Debentures & Bonds	-
1.3.5	Securitised Debt Securities	-
1.4	Government Securities	340.23
1.5	Treasury Bills	-
1.6	Commercial Paper	-
1.7	Certificate of Deposits	-
1.8	Bill Rediscounting	-
1.9	Units of Domestic Mutual Fund	-
1.10	Foreign Securities	-
	Total Investments	3,956.98
2	Deposits	-
3	Other Current Assets	
3.1	Cash & Bank Balance	0.03
3.2	TREPS / Reverse Repo Lending	130.50
3.3	Others	132.91
4	Deferred Revenue Expenditure (to the extent not written off)	-
	TOTAL	4,220.42

Scheme launched during the current financial year

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020

Rs. in Lakhs

		HSBC FIXED TERM SERIES 128	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	555.25	540.06
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(59.56)	(0.04)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	495.69	540.02
2	EXPENSES		
2.1	Management Fees	16.84	15.11
2.2	GST on Management Fees	3.03	2.72
2.3	Transfer Agents Fees and Expenses	0.84	0.78
2.4	Custodian Fees	0.30	0.30
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	14.35	13.23
2.7	Marketing & Distribution Expenses	0.01	0.02
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	1.54	1.42
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.13	0.04
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	37.24	33.82
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	458.45	506.20
4	Change in Unrealised Depreciation in Value of Investments	73.13	(16.52)
	(D)		
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	531.58	489.68
6	Change in Unrealised Appreciation in Value of Investments	5.60	-
	(F)		
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	537.18	489.68
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(5.60)	-
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	886.55	396.87
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	1,418.13	886.55
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
9.2	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	1,418.13	886.55

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 129	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	438.62	421.12
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	0.49	(0.09)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	439.11	421.03
2	EXPENSES		
2.1	Management Fees	10.58	9.19
2.2	GST on Management Fees	1.90	1.65
2.3	Transfer Agents Fees and Expenses	0.64	0.60
2.4	Custodian Fees	0.24	0.22
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	5.69	5.22
2.7	Marketing & Distribution Expenses	0.01	0.02
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	1.17	1.08
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.14	0.04
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	20.57	18.22
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	418.54	402.81
4	Change in Unrealised Depreciation in Value of Investments	(D)	35.73
			(33.39)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	454.27	369.42
6	Change in Unrealised Appreciation in Value of Investments	(F)	1.08
			-
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	455.35	369.42
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(1.08)	-
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	618.73	249.31
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	1,073.00	618.73
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	1,073.00	618.73

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 130	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	188.43	176.79
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(0.02)	(0.03)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	188.41	176.76
2	EXPENSES		
2.1	Management Fees	2.54	2.42
2.2	GST on Management Fees	0.46	0.44
2.3	Transfer Agents Fees and Expenses	0.29	0.26
2.4	Custodian Fees	0.10	0.10
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	2.01	1.84
2.7	Marketing & Distribution Expenses	0.01	-
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.52	0.48
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.15	0.03
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	6.28	5.77
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	182.13	170.99
4	Change in Unrealised Depreciation in Value of Investments	(D) 8.55	(4.48)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	190.68	166.51
6	Change in Unrealised Appreciation in Value of Investments	(F) 23.41	-
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	214.09	166.51
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(23.41)	-
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	207.25	40.74
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	397.93	207.25
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	397.93	207.25

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 131	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	343.89	328.67
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(82.60)	(0.02)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	261.29	328.65
2	EXPENSES		
2.1	Management Fees	1.31	1.23
2.2	GST on Management Fees	0.24	0.22
2.3	Transfer Agents Fees and Expenses	0.49	0.46
2.4	Custodian Fees	0.17	0.16
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	0.95	0.75
2.7	Marketing & Distribution Expenses	0.01	-
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.90	0.83
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.14	0.05
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	4.41	3.90
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	256.88	324.75
4	Change in Unrealised Depreciation in Value of Investments	(D) 31.20	(31.20)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	288.08	293.55
6	Change in Unrealised Appreciation in Value of Investments	(F) 21.40	(4.33)
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	309.48	289.22
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	4.33
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(21.40)	-
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	302.17	8.62
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	590.25	302.17
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	590.25	302.17

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 132	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	1,113.23	1,072.63
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(0.04)	0.03
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	1,113.19	1,072.66
2	EXPENSES		
2.1	Management Fees	19.28	17.15
2.2	GST on Management Fees	3.47	3.09
2.3	Transfer Agents Fees and Expenses	1.51	1.40
2.4	Custodian Fees	0.57	0.56
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	16.00	14.72
2.7	Marketing & Distribution Expenses	0.01	-
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	2.75	2.53
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.15	0.03
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	43.94	39.68
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	1,069.25	1,032.98
4	Change in Unrealised Depreciation in Value of Investments	(D) 22.45	(197.67)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	1,091.70	835.31
6	Change in Unrealised Appreciation in Value of Investments	(F) 3.03	(43.65)
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	1,094.73	791.66
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	43.65
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(3.03)	-
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	897.26	61.95
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	1,988.96	897.26
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	1,988.96	897.26

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 133	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	848.64	815.69
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(212.34)	(0.04)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	636.30	815.65
2	EXPENSES		
2.1	Management Fees	13.80	12.60
2.2	GST on Management Fees	2.48	2.27
2.3	Transfer Agents Fees and Expenses	1.17	1.09
2.4	Custodian Fees	0.42	0.41
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	10.91	9.94
2.7	Marketing & Distribution Expenses	0.01	-
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	2.13	1.97
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.15	0.08
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	31.27	28.56
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	605.03	787.09
4	Change in Unrealised Depreciation in Value of Investments	(D)	65.91
			(117.28)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	670.94	669.81
6	Change in Unrealised Appreciation in Value of Investments	(F)	4.30
			(19.13)
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	675.24	650.68
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	19.13
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(4.30)	-
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	681.08	11.27
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	1,352.02	681.08
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	1,352.02	681.08

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 134	
		Current Year ended March 31, 2020	Previous Period ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	1,288.19	1,104.80
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(384.31)	(0.16)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	903.88	1,104.64
2	EXPENSES		
2.1	Management Fees	23.53	17.12
2.2	GST on Management Fees	4.24	3.08
2.3	Transfer Agents Fees and Expenses	1.78	1.45
2.4	Custodian Fees	0.63	0.52
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	16.57	13.75
2.7	Marketing & Distribution Expenses	0.01	-
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	3.24	2.63
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.14	0.09
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	50.34	38.84
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	853.54	1,065.80
4	Change in Unrealised Depreciation in Value of Investments	(D)	(16.54)
		(1,311.70)	(16.54)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	(458.16)	1,049.26
6	Change in Unrealised Appreciation in Value of Investments	(F)	42.25
		28.19	42.25
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	(429.97)	1,091.51
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(28.19)	(42.25)
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	1,049.26	-
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	591.10	1,049.26
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	591.10	1,049.26

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 135	
		Current Year ended March 31, 2020	Previous Period ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	1,324.51	1,026.02
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(350.44)	(0.14)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	974.07	1,025.88
2	EXPENSES		
2.1	Management Fees	29.32	19.85
2.2	GST on Management Fees	5.28	3.57
2.3	Transfer Agents Fees and Expenses	1.88	1.37
2.4	Custodian Fees	0.67	0.50
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	20.11	14.60
2.7	Marketing & Distribution Expenses	0.01	-
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	3.43	2.49
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.15	0.17
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	61.05	42.75
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	913.02	983.13
4	Change in Unrealised Depreciation in Value of Investments	(D) (1,331.89)	(16.47)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	(418.87)	966.66
6	Change in Unrealised Appreciation in Value of Investments	(F) 25.20	35.48
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	(393.67)	1,002.14
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(25.20)	(35.48)
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	966.66	-
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	547.79	966.66
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	547.79	966.66

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 136	
		Current Year ended March 31, 2020	Previous Period ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	392.82	264.24
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(87.80)	(0.06)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	305.02	264.18
2	EXPENSES		
2.1	Management Fees	9.47	5.41
2.2	GST on Management Fees	1.70	0.97
2.3	Transfer Agents Fees and Expenses	0.53	0.34
2.4	Custodian Fees	0.21	0.12
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	7.66	4.96
2.7	Marketing & Distribution Expenses	0.01	-
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.97	0.61
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.14	0.16
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	20.89	12.77
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	284.13	251.41
4	Change in Unrealised Depreciation in Value of Investments [Refer Note 9 (I, II)]	(D) (341.86)	(33.02)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	(57.73)	218.39
6	Change in Unrealised Appreciation in Value of Investments (F)	6.23	8.95
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	(51.50)	227.34
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(6.23)	(8.95)
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	218.39	-
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	160.66	218.39
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	160.66	218.39

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 137	
		Current Year ended March 31, 2020	Previous Period ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	521.61	100.20
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(0.03)	(0.03)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	521.58	100.17
2	EXPENSES		
2.1	Management Fees	8.33	1.31
2.2	GST on Management Fees	1.50	0.24
2.3	Transfer Agents Fees and Expenses	0.69	0.16
2.4	Custodian Fees	0.25	0.05
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	6.03	1.14
2.7	Marketing & Distribution Expenses	0.01	-
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	1.26	0.24
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.14	0.06
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	18.41	3.40
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	503.17	96.77
4	Change in Unrealised Depreciation in Value of Investments	-	-
	(D)	-	-
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	503.17	96.77
6	Change in Unrealised Appreciation in Value of Investments	61.96	52.41
	(F)	61.96	52.41
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	565.13	149.18
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(61.96)	(52.41)
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	96.77	-
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	599.94	96.77
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	599.94	96.77

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2020 (Contd...)

Rs. in Lakhs

		HSBC FIXED TERM SERIES 139	
		Current Year ended March 31, 2020	Previous Period ended March 31, 2019
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	370.92	32.85
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	-	-
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(0.02)	(0.03)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	370.90	32.82
2	EXPENSES		
2.1	Management Fees	6.55	0.50
2.2	GST on Management Fees	1.18	0.09
2.3	Transfer Agents Fees and Expenses	0.50	0.08
2.4	Custodian Fees	0.19	0.02
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	5.13	0.45
2.7	Marketing & Distribution Expenses	0.01	-
2.8	Audit Fees	0.20	0.03
2.9	Investor Education Expenses	0.91	0.08
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.15	0.02
2.12	Less : Expenses to be Reimbursed by the Investment Manager	-	-
	(B)	14.82	1.27
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	356.08	31.55
4	Change in Unrealised Depreciation in Value of Investments	(D)	-
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	356.08	31.55
6	Change in Unrealised Appreciation in Value of Investments (F)	64.98	35.20
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	421.06	66.75
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	-	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(64.98)	(35.20)
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	31.55	-
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	387.63	31.55
9	Dividend Appropriation		
9.1	Income Distributed during the Year	-	-
9.2	Tax on Income Distributed during the Year	-	-
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	387.63	31.55

Notes to Accounts - Annexure I

Abridged Revenue Account for the period ended March 31, 2020 (Contd...)

Rs. in Lakhs

**HSBC FIXED TERM
SERIES 140 #****Current Period ended
March 31, 2020**

1	INCOME	
1.1	Dividend	–
1.2	Interest	303.15
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	–
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	–
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(0.03)
1.6	Realised Gains / (Losses) on Derivative Transactions	–
1.7	Other Income	–
		(A)
		303.12
2	EXPENSES	
2.1	Management Fees	4.90
2.2	GST on Management Fees	0.88
2.3	Transfer Agents Fees and Expenses	0.44
2.4	Custodian Fees	0.37
2.5	Trusteeship Fees	–
2.6	Commission to Agents	4.22
2.7	Marketing & Distribution Expenses	–
2.8	Audit Fees	0.20
2.9	Investor Education Expenses	0.75
2.10	Interest on Borrowing	–
2.11	Other Operating Expenses	0.19
2.12	Less : Expenses to be Reimbursed by the Investment Manager	–
		(B)
		11.95
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)
		291.17
4	Change in Unrealised Depreciation in Value of Investments	(D)
		–
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)
		291.17
6	Change in Unrealised Appreciation in Value of Investments	(F)
		76.49
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)
		367.66
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	–
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(76.49)
7.3	Add / (Less) : Equalisation	–
7.4	Transfer from Reserve Fund	–
7.5	Transfer from Unit Premium Reserve	–
8	Total	291.17
9	Dividend Appropriation	
9.1	Income Distributed during the Year	–
9.2	Tax on Income Distributed during the Year	–
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	291.17

Scheme launched during the current financial year

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2020

HSBC FIXED TERM SERIES 128		
	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	11.3507	10.6046
Dividend Option	11.3507	10.6046
Direct Plan - Growth Option	11.4261	10.6388
High		
Growth Option	12.1685	11.3465
Dividend Option	12.1685	11.3465
Direct Plan - Growth Option	12.2935	11.4216
Low		
Growth Option	11.3652	10.5541
Dividend Option	11.3652	10.5541
Direct Plan - Growth Option	11.4412	10.5928
End		
Growth Option	12.1685	11.3507
Dividend Option	12.1685	11.3507
Direct Plan - Growth Option	12.2935	11.4261
2. Closing Assets Under Management (Rs. in Lakhs)		
End	7,932	7,395
Average (AAuM) ¹	7,686	7,086
3. Gross income as % of AAuM ² *	6.45%	7.62%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.54%	0.53%
Direct Plan - Growth Option	0.18%	0.19%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.24%	0.21%
Direct Plan - Growth Option	0.12%	0.21%
5. Net Income as a percentage of AAuM ³ *	5.97%	7.14%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-
Corporate		
Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

		HSBC FIXED TERM SERIES 128	
		Current Year ended March 31, 2020	Previous Year ended March 31, 2019
8.	Returns (%):		
	a. Last One Year		
	Scheme		
	Regular Growth Option	7.1800	7.0356
	Direct Plan - Growth Option	7.5700	7.3996
	Benchmark		
	CRISIL Composite Bond Fund Index	12.5700	6.7200
	b. Since Inception		
	Scheme		
	Regular Growth Option	6.8800	6.7292
	Direct Plan - Growth Option	7.2600	7.0928
	Benchmark		
	CRISIL Composite Bond Fund Index	8.1800	5.9600

* Indicates annualised value

1. AAUM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 129		
	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	11.2290	10.4951
Dividend Option	11.2290	10.4951
Direct Plan - Growth Option	11.2801	10.5165
High		
Growth Option	12.1335	11.2245
Dividend Option	12.1335	11.2245
Direct Plan - Growth Option	12.2222	11.2754
Low		
Growth Option	11.2324	10.4381
Dividend Option	11.2324	10.4381
Direct Plan - Growth Option	11.2838	10.4628
End		
Growth Option	12.1335	11.2290
Dividend Option	12.1335	11.2290
Direct Plan - Growth Option	12.2222	11.2801
2. Closing Assets Under Management (Rs. in Lakhs)		
End	6,084	5,628
Average (AAuM) ¹	5,859	5,389
3. Gross income as % of AAuM ² *	7.49%	7.81%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.38%	0.37%
Direct Plan - Growth Option	0.11%	0.12%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.20%	0.17%
Direct Plan - Growth Option	0.06%	0.17%
5. Net Income as a percentage of AAuM ³ *	7.14%	7.47%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-
Corporate		
Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 129

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
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8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	8.0300	6.9923
Direct Plan - Growth Option	8.3300	7.2599

Benchmark

CRISIL Composite Bond Fund Index	12.5700	6.7200
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b. Since Inception

Scheme

Regular Growth Option	7.1100	6.5967
Direct Plan - Growth Option	7.3800	6.8638

Benchmark

CRISIL Composite Bond Fund Index	7.8400	5.2800
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 130		
	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.8920	10.1753
Dividend Option	10.8920	10.1753
Direct Plan - Growth Option	10.9198	10.1809
High		
Growth Option	11.8138	10.8879
Dividend Option	11.8138	10.8879
Direct Plan - Growth Option	11.8692	10.9155
Low		
Growth Option	10.9016	10.0739
Dividend Option	10.9016	10.0739
Direct Plan - Growth Option	10.9299	10.0820
End		
Growth Option	11.8138	10.8920
Dividend Option	11.8138	10.8920
Direct Plan - Growth Option	11.8692	10.9198
2. Closing Assets Under Management (Rs. in Lakhs)		
End	2,718	2,503
Average (AAuM) ¹	2,614	2,389
3. Gross income as % of AAuM ² *	7.21%	7.40%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.32%	0.32%
Direct Plan - Growth Option	0.11%	0.12%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.13%	0.10%
Direct Plan - Growth Option	0.05%	0.10%
5. Net Income as a percentage of AAuM ³ *	6.97%	7.16%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-
Corporate		
Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 130

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
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8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	8.4300	7.0432
Direct Plan - Growth Option	8.6600	7.2571

Benchmark

CRISIL Composite Bond Fund Index	12.5700	6.7200
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b. Since Inception

Scheme

Regular Growth Option	7.6100	6.9516
Direct Plan - Growth Option	7.8300	7.1658

Benchmark

CRISIL Composite Bond Fund Index	8.9400	6.1300
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 131		
	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.7356	10.0402
Dividend Option	10.7356	10.0402
Direct Plan - Growth Option	10.7633	10.0409
High		
Growth Option	11.4764	10.7315
Dividend Option	11.4764	10.7315
Direct Plan - Growth Option	11.5370	10.7590
Low		
Growth Option	10.7466	9.9270
Dividend Option	10.7466	9.9270
Direct Plan - Growth Option	10.7749	9.9309
End		
Growth Option	11.4764	10.7356
Dividend Option	11.4764	10.7356
Direct Plan - Growth Option	11.5370	10.7633
2. Closing Assets Under Management (Rs. in Lakhs)		
End	4,645	4,336
Average (AAuM) ¹	4,501	4,131
3. Gross income as % of AAuM ² *	5.81%	7.96%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.32%	0.30%
Direct Plan - Growth Option	0.05%	0.05%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.13%	0.03%
Direct Plan - Growth Option	0.01%	0.03%
5. Net Income as a percentage of AAuM ³ *	5.71%	7.86%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-
Corporate		
Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 131

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
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8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	6.8800	6.9264
Direct Plan - Growth Option	7.1700	7.1943

Benchmark

CRISIL Composite Bond Fund Index	12.5700	6.7200
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b. Since Inception

Scheme

Regular Growth Option	7.0200	7.1526
Direct Plan - Growth Option	7.3000	7.4213

Benchmark

CRISIL Composite Bond Fund Index	10.1000	7.7200
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 132		
	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.7276	10.0857
Dividend Option	10.7276	10.0857
Direct Plan - Growth Option	10.7503	10.0868
Direct Plan - Dividend Option	10.7503	10.0868
High		
Growth Option	11.6154	10.7229
Dividend Option	11.6154	10.7229
Direct Plan - Growth Option	11.6648	10.7454
Direct Plan - Dividend Option	11.6648	10.7454
Low		
Growth Option	10.7430	9.9807
Dividend Option	10.7430	9.9807
Direct Plan - Growth Option	10.7662	9.9843
Direct Plan - Dividend Option	10.7662	9.9846
End		
Growth Option	11.6154	10.7276
Dividend Option	11.6154	10.7276
Direct Plan - Growth Option	11.6648	10.7503
Direct Plan - Dividend Option	11.6648	10.7503
2. Closing Assets Under Management (Rs. in Lakhs)		
End	14,315	13,220
Average (AAuM) ¹	13,746	12,657
3. Gross income as % of AAuM ² *	8.10%	8.47%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.32%	0.32%
Direct Plan - Growth Option	0.11%	0.12%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.14%	0.14%
Direct Plan - Growth Option	0.06%	0.14%
5. Net Income as a percentage of AAuM ³ *	7.78%	8.16%
6. Portfolio turnover ratio ⁴	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 132

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
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7. Total Dividend per unit distributed during the period (planwise):

Retail

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Corporate

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	8.2500	6.3653
Direct Plan - Growth Option	8.4800	6.5773

Benchmark

CRISIL Composite Bond Fund Index	12.5700	6.7200
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b. Since Inception

Scheme

Regular Growth Option	7.5600	6.8964
Direct Plan - Growth Option	7.7800	7.1108

Benchmark

CRISIL Composite Bond Fund Index	10.2200	8.0000
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 133		
	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.7034	10.0315
Dividend Option	10.7034	10.0315
Direct Plan - Growth Option	10.7251	10.0318
Direct Plan - Dividend Option	10.7251	10.0318
High		
Growth Option	11.4002	10.6989
Dividend Option	11.4002	10.6989
Direct Plan - Growth Option	11.4477	10.7205
Direct Plan - Dividend Option	11.4477	10.7205
Low		
Growth Option	10.7181	9.9461
Dividend Option	10.7181	9.9461
Direct Plan - Growth Option	10.7403	9.9489
Direct Plan - Dividend Option	10.7403	9.9489
End		
Growth Option	11.4002	10.7034
Dividend Option	11.4002	10.7034
Direct Plan - Growth Option	11.4477	10.7251
Direct Plan - Dividend Option	11.4477	10.7251
2. Closing Assets Under Management (Rs. in Lakhs)		
End	10,996	10,321
Average (AAuM) ¹	10,655	9,868
3. Gross income as % of AAuM ² *	5.97%	8.27%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.32%	0.32%
Direct Plan - Growth Option	0.11%	0.12%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.14%	0.13%
Direct Plan - Growth Option	0.06%	0.13%
5. Net Income as a percentage of AAuM ³ *	5.68%	7.98%
6. Portfolio turnover ratio ⁴	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 133

	Current Year ended March 31, 2020	Previous Year ended March 31, 2019
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7. Total Dividend per unit distributed during the period (planwise):

Retail

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Corporate

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	6.5000	6.9496
Direct Plan - Growth Option	6.7300	7.1644

Benchmark

CRISIL Composite Bond Fund Index	12.5700	6.7200
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b. Since Inception

Scheme

Regular Growth Option	6.7200	6.9496
Direct Plan - Growth Option	6.9400	7.1644

Benchmark

CRISIL Composite Bond Fund Index	9.5500	6.6000
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 134		
	Current Year ended March 31, 2020	Previous period ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.6850	N.A
Dividend Option	10.6850	N.A
Direct Plan - Growth Option	10.7146	N.A
Direct Plan - Dividend Option	10.7146	N.A
High		
Growth Option	10.7283	10.6807
Dividend Option	10.7283	10.6807
Direct Plan - Growth Option	10.7644	10.7101
Direct Plan - Dividend Option	10.7644	10.7101
Low		
Growth Option	9.9423	10.0055
Dividend Option	9.9423	10.0055
Direct Plan - Growth Option	9.9764	10.0061
Direct Plan - Dividend Option	9.9764	10.0060
End		
Growth Option	10.3984	10.6850
Dividend Option	10.3984	10.6850
Direct Plan - Growth Option	10.4662	10.7146
Direct Plan - Dividend Option	10.4662	10.7146
2. Closing Assets Under Management (Rs. in Lakhs)		
End	16,368	16,798
Average (AAuM) ¹	16,210	16,169
3. Gross income as % of AAuM ² *	5.58%	8.40%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.44%	0.41%
Direct Plan - Growth Option	0.06%	0.07%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.21%	0.13%
Direct Plan - Growth Option	0.02%	0.13%
5. Net Income as a percentage of AAuM ³ *	5.27%	8.10%
6. Portfolio turnover ratio ⁴	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 134

	Current Year ended March 31, 2020	Previous period ended March 31, 2019
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7. Total Dividend per unit distributed during the period (planwise):

Retail

Regular Dividend Option	–	–
Direct Plan - Dividend Option	–	–

Corporate

Regular Dividend Option	–	–
Direct Plan - Dividend Option	–	–

8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	(2.6200)	N.A.
Direct Plan - Growth Option	(2.2600)	N.A.

Benchmark

CRISIL Composite Bond Fund Index	12.5700	N.A.
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b. Since Inception

Scheme

Regular Growth Option	2.1800	6.8070
Direct Plan - Growth Option	2.5400	7.1010

Benchmark

CRISIL Composite Bond Fund Index	11.7100	8.4800
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 135		
	Current Year ended March 31, 2020	Previous period ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.5928	N.A
Dividend Option	10.5928	N.A
Direct Plan - Growth Option	10.6159	N.A
Direct Plan - Dividend Option	10.6159	N.A
High		
Growth Option	10.6433	10.5885
Dividend Option	10.6433	10.5885
Direct Plan - Growth Option	10.6721	10.6114
Direct Plan - Dividend Option	10.6721	10.6114
Low		
Growth Option	9.8673	9.9900
Dividend Option	9.8673	9.9900
Direct Plan - Growth Option	9.8941	9.9964
Direct Plan - Dividend Option	9.8941	9.9964
End		
Growth Option	10.3495	10.5928
Dividend Option	10.3495	10.5928
Direct Plan - Growth Option	10.4059	10.6159
Direct Plan - Dividend Option	10.4059	10.6159
2. Closing Assets Under Management (Rs. in Lakhs)		
End	17,353	17,747
Average (AAuM) ¹	17,159	17,133
3. Gross income as % of AAuM ² *	5.68%	8.25%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.44%	0.42%
Direct Plan - Growth Option	0.11%	0.12%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.21%	0.16%
Direct Plan - Growth Option	0.06%	0.16%
5. Net Income as a percentage of AAuM ³ *	5.32%	7.90%
6. Portfolio turnover ratio ⁴	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 135

	Current Year ended March 31, 2020	Previous period ended March 31, 2019
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7. Total Dividend per unit distributed during the period (planwise):

Retail

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Corporate

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	(2.2400)	N.A.
Direct Plan - Growth Option	(1.9200)	N.A.

Benchmark

CRISIL Composite Bond Fund Index	12.5700	N.A.
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b. Since Inception

Scheme

Regular Growth Option	2.0100	5.8850
Direct Plan - Growth Option	2.3300	6.1140

Benchmark

CRISIL Composite Bond Fund Index	11.6800	7.3800
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 136		
	Current Year ended March 31, 2020	Previous period ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.4764	N.A
Dividend Option	10.4764	N.A
Direct Plan - Growth Option	10.4963	N.A
Direct Plan - Dividend Option	10.4963	N.A
High		
Growth Option	10.5031	10.4720
Dividend Option	10.5031	10.4720
Direct Plan - Growth Option	10.5286	10.4917
Direct Plan - Dividend Option	10.5286	10.4917
Low		
Growth Option	9.8563	9.9143
Dividend Option	9.8563	9.9143
Direct Plan - Growth Option	9.8808	9.9179
Direct Plan - Dividend Option	9.8808	9.9179
End		
Growth Option	10.3682	10.4764
Dividend Option	10.3682	10.4764
Direct Plan - Growth Option	10.4216	10.4963
Direct Plan - Dividend Option	10.4216	10.4963
2. Closing Assets Under Management (Rs. in Lakhs)		
End	4,946	4,998
Average (AAuM) ¹	4,848	4,846
3. Gross income as % of AAuM ² *		
	6.29%	8.61%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.43%	0.42%
Direct Plan - Growth Option	0.11%	0.12%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.20%	0.18%
Direct Plan - Growth Option	0.06%	0.18%
5. Net Income as a percentage of AAuM ³ *		
	5.86%	8.20%
6. Portfolio turnover ratio ⁴		
	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 136

	Current Year ended March 31, 2020	Previous period ended March 31, 2019
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7. Total Dividend per unit distributed during the period (planwise):

Retail

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Corporate

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	(0.9800)	N.A.
Direct Plan - Growth Option	(0.6600)	N.A.

Benchmark

CRISIL Composite Bond Fund Index	12.5700	N.A.
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b. Since Inception

Scheme

Regular Growth Option	2.2400	4.7200
Direct Plan - Growth Option	2.5600	4.9170

Benchmark

CRISIL Composite Bond Fund Index	11.6700	6.2700
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 137		
	Current Year ended March 31, 2020	Previous period ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.2523	N.A.
Dividend Option	10.2523	N.A.
Direct Plan - Growth Option	10.2575	N.A.
Direct Plan - Dividend Option	10.2575	N.A.
High		
Growth Option	11.2083	10.2484
Dividend Option	11.2083	10.2484
Direct Plan - Growth Option	11.2418	10.2534
Direct Plan - Dividend Option	11.2418	10.2534
Low		
Growth Option	10.2555	9.9730
Dividend Option	10.2555	9.9730
Direct Plan - Growth Option	10.2627	9.9743
Direct Plan - Dividend Option	10.2627	9.9743
End		
Growth Option	11.2046	10.2523
Dividend Option	11.2046	10.2523
Direct Plan - Growth Option	11.2404	10.2575
Direct Plan - Dividend Option	11.2404	10.2575
2. Closing Assets Under Management (Rs. in Lakhs)		
End	6,588	6,023
Average (AAuM) ¹	6,313	5,922
3. Gross income as % of AAuM ² *	8.26%	8.46%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.38%	0.37%
Direct Plan - Growth Option	0.11%	0.12%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.17%	0.11%
Direct Plan - Growth Option	0.06%	0.11%
5. Net Income as a percentage of AAuM ³ *	7.97%	8.17%
6. Portfolio turnover ratio ⁴	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 137

	Current Year ended March 31, 2020	Previous period ended March 31, 2019
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7. Total Dividend per unit distributed during the period (planwise):

Retail

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

Corporate

Regular Dividend Option	-	-
Direct Plan - Dividend Option	-	-

8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	9.2500	N.A.
Direct Plan - Growth Option	9.5400	N.A.

Benchmark

CRISIL Composite Bond Fund Index	12.5700	N.A.
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b. Since Inception

Scheme

Regular Growth Option	9.9400	2.4840
Direct Plan - Growth Option	10.2300	2.5340

Benchmark

CRISIL Composite Bond Fund Index	12.4200	2.1300
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 139		
	Current Year ended March 31, 2020	Previous period ended March 31, 2019
1. NAV per unit (Rs.):		
Open		
Growth Option	10.1554	N.A.
Dividend Option	10.1554	N.A.
Direct Plan - Growth Option	10.1577	N.A.
Direct Plan - Dividend Option	10.1577	N.A.
High		
Growth Option	11.1351	10.1515
Dividend Option	11.1351	10.1515
Direct Plan - Growth Option	11.1654	10.1537
Direct Plan - Dividend Option	11.1654	10.1537
Low		
Growth Option	10.1519	10.0009
Dividend Option	10.1519	10.0009
Direct Plan - Growth Option	10.1560	10.0011
Direct Plan - Dividend Option	10.1560	10.0011
End		
Growth Option	11.1325	10.1554
Dividend Option	11.1325	10.1554
Direct Plan - Growth Option	11.1651	10.1577
Direct Plan - Dividend Option	11.1651	10.1577
2. Closing Assets Under Management (Rs. in Lakhs)		
End	4,770	4,349
Average (AAuM) ¹	4,565	4,311
3. Gross income as % of AAuM ² *	8.13%	8.17%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.38%	0.37%
Direct Plan - Growth Option	0.11%	0.12%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option	0.17%	0.12%
Direct Plan - Growth Option	0.06%	0.12%
5. Net Income as a percentage of AAuM ³ *	7.80%	7.86%
6. Portfolio turnover ratio ⁴	-	-

Key Statistics for the year ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 139

	Current Year ended March 31, 2020	Previous period ended March 31, 2019
--	---	--

7. Total Dividend per unit distributed during the period (planwise):

Retail

Regular Dividend Option	–	–
Direct Plan - Dividend Option	–	–

Corporate

Regular Dividend Option	–	–
Direct Plan - Dividend Option	–	–

8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	9.5800	N.A.
Direct Plan - Growth Option	9.8800	N.A.

Benchmark

CRISIL Composite Bond Fund Index	12.5700	N.A.
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b. Since Inception

Scheme

Regular Growth Option	10.3100	1.5150
Direct Plan - Growth Option	10.6100	1.5370

Benchmark

CRISIL Composite Bond Fund Index	13.2500	1.6700
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* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Key Statistics for the period ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 140

Current period ended
March 31, 2020

1. NAV per unit (Rs.):		
Open		
Growth Option		N.A.
Dividend Option		N.A.
Direct Plan - Growth Option		N.A.
Direct Plan - Dividend Option		N.A.
High		
Growth Option		10.9526
Dividend Option		10.9526
Direct Plan - Growth Option		10.9777
Direct Plan - Dividend Option		10.9777
Low		
Growth Option		10.0030
Dividend Option		10.0030
Direct Plan - Growth Option		10.0036
Direct Plan - Dividend Option		10.0036
End		
Growth Option		10.9491
Dividend Option		10.9491
Direct Plan - Growth Option		10.9765
Direct Plan - Dividend Option		10.9765
2. Closing Assets Under Management (Rs. in Lakhs)		
End		4,218
Average (AAuM) ¹		4,051
3. Gross income as % of AAuM ² *		8.03%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option		0.37%
Direct Plan - Growth Option		0.11%
b. Management Fee as % of AAuM (planwise) *		
Regular Growth Option		0.15%
Direct Plan - Growth Option		0.05%
5. Net Income as a percentage of AAuM ³ *		7.71%
6. Portfolio turnover ratio ⁴		-

Key Statistics for the period ended March 31, 2020 (Contd...)

HSBC FIXED TERM SERIES 140

Current period ended
March 31, 2020

7. Total Dividend per unit distributed during the period (planwise):

Retail

Regular Dividend Option	-
Direct Plan - Dividend Option	-

Corporate

Regular Dividend Option	-
Direct Plan - Dividend Option	-

8. Returns (%):

a. Last One Year

Scheme

Regular Growth Option	N.A.
Direct Plan - Growth Option	N.A.

Benchmark

CRISIL Composite Bond Fund Index	N.A.
----------------------------------	------

b. Since Inception

Scheme

Regular Growth Option	9.4900
Direct Plan - Growth Option	9.7700

Benchmark

CRISIL Composite Bond Fund Index	12.7600
----------------------------------	---------

Scheme launched during the current financial year

* Indicates annualised value

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the period

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the period

5. The net asset value disclosed represents the computed NAV on March 31, 2019 (Non-business Day), and not the last declared NAV

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 128

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate unrealised gain / loss as at the end of the financial year and their percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	774,904	0.10	794,414	0.11
– Depreciation	214,868	0.03	7,087,089	0.96
Government of India Securities				
– Appreciation	–	–	–	–
– Depreciation	–	–	1,020,375	0.14

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 48,540,200 and NIL respectively being 6.32% and NIL of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 43,575,444 and NIL respectively being 6.15% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	312,571,309	39.40%	636,765,473	86.10%
Total	312,571,309	39.40%	636,765,473	86.10%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	1,171,840	98.99

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	–	–	1,091,445	90.44

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - NIL
 - (ii) Devolvement - NIL
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - NIL
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

4 Unit Capital movement during the year ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	54,879,860.749	–	–	54,879,860.749	10
Dividend Option	357,568.032	–	–	357,568.032	10
Direct Plan - Growth Option	9,850,000.000	–	–	9,850,000.000	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	54,879,860.749	–	–	54,879,860.749	10
Dividend Option	357,568.032	–	–	357,568.032	10
Direct Plan - Growth Option	9,850,000.000	–	–	9,850,000.000	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the year ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 10 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 129

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	-	-	-	740,203,250
	Equities	-	-	-	194,922,114
Bharti Airtel Ltd.	Equities	-	594,575,759	-	356,482
Balrampur Chini Mills Ltd.	Equities	-	-	-	17,018,040
Thomas Cook (India) Ltd.	Equities	-	-	-	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
- Appreciation	875,344	0.14	67,626	0.01
- Depreciation	6,761,992	1.11	9,657,312	1.72
Government of India Securities				
- Appreciation	-	-	-	-
- Depreciation	606,148	0.10	476,302	0.08
Certificate of Deposit / Commercial Papers				
- Appreciation	108,204	0.02	-	-
- Depreciation	-	-	-	-

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 47,938,600 and Rs. NIL respectively being 8.18% and NIL of the average daily net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 5,942,106 and Rs. NIL respectively being 1.10% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	539,270,000	88.64	483,275,925	85.87
Total	539,270,000	88.64	483,275,925	85.87

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	460,285.90	97.28

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	–	–	423,314.90	88.87

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL)
 - Devolvement - NIL (Previous year also NIL)
 - Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL)
 - Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL)
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the years ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

4 Unit Capital movement during the year ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	43,556,682.824	–	–	43,556,682.824	10
Dividend Option	523,657.289	–	–	523,657.289	10
Direct Plan - Growth Option	6,014,000.000	–	–	6,014,000.000	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	43,556,682.824	–	–	43,556,682.824	10
Dividend Option	523,657.289	–	–	523,657.289	10
Direct Plan - Growth Option	6,014,000.000	–	–	6,014,000.000	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the year ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 10 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 130

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	2,506,765	0.92	230,854	0.09
– Depreciation	165,500	0.06	926,504	0.37
Government of India Securities				
– Appreciation	–	–	–	–
– Depreciation	17,411	0.01	176,575	0.07

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 15,031,560 and NIL respectively being 5.75% and NIL of the average daily net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 5,015,525 and NIL respectively being 2.10% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	203,077,259	74.73%	205,348,564	82.02%
Total	203,077,259	74.73%	205,348,564	82.02%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	131,689	78.94

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	–	–	122,458	73.02

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL)
 - (ii) Devolvement - NIL (Previous year also NIL)
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL)
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020**

4 Unit Capital movement during the year ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	14,159,124.748	–	–	14,159,124.748	10
Dividend Option	39,720.000	–	–	39,720.000	10
Direct Plan - Growth Option	8,763,500.000	–	–	8,763,500.000	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	14,159,124.748	–	–	14,159,124.748	10
Dividend Option	39,720.000	–	–	39,720.000	10
Direct Plan - Growth Option	8,763,500.000	–	–	8,763,500.000	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the year ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 10 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 131

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	2,029,919	0.44	200,385	0.05
– Depreciation	558,200	0.12	3,320,251	0.77
Government of India Securities				
– Appreciation	1,016,860	0.22	349,010	0.08
– Depreciation	–	–	–	–

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 67,938,272 and Rs. 33,744,396 respectively being 15.10% and 7.50% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 3,003,105 and NIL respectively being 0.73% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	390,708,867	84.10%	353,255,814	81.47%
Total	390,708,867	84.10%	353,255,814	81.47%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	73,005	91.70

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	–	–	67,003	88.36

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL)
 - (ii) Devolvement - NIL (Previous year also NIL)
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL)
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

4 Unit Capital movement during the year ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	7,095,288.363	–	–	7,095,288.363	10
Dividend Option	30,854.000	–	–	30,854.000	10
Direct Plan - Growth Option	33,177,430.949	–	–	33,177,430.949	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	7,095,288.363	–	–	7,095,288.363	10
Dividend Option	30,854.000	–	–	30,854.000	10
Direct Plan - Growth Option	33,177,430.949	–	–	33,177,430.949	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 10 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 132

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	8,135,718	0.57	901,761	0.07
– Depreciation	25,657,336	1.79	20,569,312	1.56
Government of India Securities				
– Appreciation	352,017	–	–	–
– Depreciation	48,564	0.00	99,566	0.01

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 65,869,894 and NIL respectively being 4.79% and NIL of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 15,046,575 and NIL respectively being 1.19% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	1,283,606,756	89.67%	1,197,064,536	90.55%
Total	1,283,606,756	89.67%	1,197,064,536	90.55%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	1,323,583	99.57

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	–	–	1,226,288.70	91.12

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL)
 - (ii) Devolvement - NIL (Previous year also NIL)
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL)
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the years ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

4 Unit Capital movement during the year ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	118,101,370.598	–	–	118,101,370.598	10
Dividend Option	2,345,689.097	–	–	2,345,689.097	10
Direct Plan - Growth Option	2,777,750.533	–	–	2,777,750.533	10
Direct Plan - Dividend Option	950.000	–	–	950.000	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	118,101,370.598	–	–	118,101,370.598	10
Dividend Option	2,345,689.097	–	–	2,345,689.097	10
Direct Plan - Growth Option	2,777,750.533	–	–	2,777,750.533	10
Direct Plan - Dividend Option	950.000	–	–	950.000	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

- 9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 10 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 133

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	6,320,169	0.57	638,008	0.06
– Depreciation	11,503,507	1.05	11,723,576	1.14
Government of India Securities				
– Appreciation	–	–	–	–
– Depreciation	29,183	0.00	717,662	0.07
Certificate of Deposit				
– Appreciation	430,259	0.04	–	–
– Depreciation	–	–	–	–

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 167,996,335 and Rs. 86,771,304 respectively being 15.77% and 8.14% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 202,684,270 and NIL respectively being 20.54% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	846,763,847	77.01%	876,016,409	84.88%
Money Market Instruments	95,209,000	8.66%	–	0.00%
Total	941,972,847	85.66%	876,016,409	84.88%

2. Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	857,818	93.98

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	–	–	794,536.10	86.51

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL)
 - (ii) Devolvement - NIL (Previous year also NIL)
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL)
3. None of the Investors held more than 25% of the total net assets of the Scheme at the years ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020**

4 Unit Capital movement during the year ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	82,186,171.296	–	–	82,186,171.296	10
Dividend Option	353,862.848	–	–	353,862.848	10
Direct Plan - Growth Option	13,836,299.100	–	–	13,836,299.100	10
Direct Plan - Dividend Option	20,847.700	–	–	20,847.700	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	82,186,171.296	–	–	82,186,171.296	10
Dividend Option	353,862.848	–	–	353,862.848	10
Direct Plan - Growth Option	13,836,299.100	–	–	13,836,299.100	10
Direct Plan - Dividend Option	20,847.700	–	–	20,847.700	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2019. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

- 9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 10 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 134

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 (Ref. Note 9) and March 31, 2019 is NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	17,484,182	1.07	11,721,770	0.70
– Depreciation	150,308,180	9.18	13,375,734	0.80
Government of India Securities				
– Appreciation	6,706,452	0.41	4,224,646	0.25
– Depreciation	–	–	–	–
Certificate of Deposit				
– Appreciation	337,567	0.02	–	–
– Depreciation	–	–	–	–

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 307,449,375 and Rs. NIL respectively being 18.97% and NIL of the average daily net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 1,544,452,037 and Rs. NIL respectively being 95.52% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	1,187,417,312	72.55%	1,352,411,281	80.51%
Total	1,187,417,312	72.55%	1,352,411,281	80.51%

2. **Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended**

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	1,300,858.00	93.41

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	90.68	57.35	1,027,367.60	74.01

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL
 - (ii) Devolvement - NIL
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL
3. None of the Investors held more than 25% of the total net assets of the Scheme at the years ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

4 Unit Capital movement during the year ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	103,955,993.609	–	–	103,955,993.609	10
Dividend Option	260,000.000	–	–	260,000.000	10
Direct Plan - Growth Option	52,846,300.000	–	–	52,846,300.000	10
Direct Plan - Dividend Option	950.000	–	–	950.000	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	–	103,955,993.609	–	103,955,993.609	10
Dividend Option	–	260,000.000	–	260,000.000	10
Direct Plan - Growth Option	–	52,846,300.000	–	52,846,300.000	10
Direct Plan - Dividend Option	–	950.000	–	950.000	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the year ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

9 I) Hair Cut in valuation & interest during the year in security rated below Investment Grade or Default

Rs. In Lakhs

Scheme name	Name of the security	ISIN	Hair cut in valuation (A)	Hair cut in interest accrued #	Total Hair cut during the half Year (A+B)
HSBC Fixed Term-Series 134	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	1,199.79	-	1,199.79

II) Below investment grade or default security as of March 31, 2020

Rs. In Lakhs

Scheme Name	HSBC Fixed Term-Series 134
Name of the Issuer	8.9% DHFL NCD RED 04-06-2021
ISIN	INE202B07IY2
Rating	CARE D
Principal Amount (Rs in Lakhs)	1,900.00
Market Value (Rs in Lakhs)	380.13
% to Net Assets *	2.32%
Value (in absolute terms) of the security considered under net receivables /current assets	-

On 8th May 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

Interest Accrual was stopped from 04th June 2019

* For calculation of % to Net Assets and Value (in % terms), AUM as on 31 Mar 2020 has been considered.

10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 135

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 (Ref. Note 9) and March 31, 2019 is NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	22,533,603	1.30	10,487,778	0.59
– Depreciation	157,369,590	9.07	12,135,000	0.68
Government of India Securities				
– Appreciation	6,067,540	0.35	3,547,940	0.20
– Depreciation	–	–	–	–

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 257,732,133 and Rs .NIL respectively being 15.02% and NIL of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 1,654,855,812 and Rs.NIL respectively being 96.58% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	1,192,257,586	68.71	1,458,607,740	82.19
Total	1,192,257,586	68.71	1,458,607,740	82.19

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	1,647,152.7	97.3

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	116.6	69.5	1,105,805.7	75.9

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL
 - (ii) Devolvement - NIL
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the years ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

4 Unit Capital movement during the years ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	126,122,141.612	–	–	126,122,141.612	10
Dividend Option	128,000.000	–	–	128,000.000	10
Direct Plan - Growth Option	41,195,700.000	–	–	41,195,700.000	10
Direct Plan - Dividend Option	950.000	–	–	950.000	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	–	126,122,141.612	–	126,122,141.612	10
Dividend Option	–	128,000.000	–	128,000.000	10
Direct Plan - Growth Option	–	41,195,700.000	–	41,195,700.000	10
Direct Plan - Dividend Option	–	950.000	–	950.000	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

9 I) Hair Cut in valuation & interest during the year in security rated below Investment Grade or Default

Rs. In Lakhs

Scheme name	Name of the security	ISIN	Hair cut in valuation (A)	Hair cut in interest accrued #	Total Hair cut during the half Year (A+B)
HSBC Fixed Term-Series 135	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	1,262.94	–	1,262.94

II) Below investment grade or default security as of March 31, 2020

Scheme Name	HSBC Fixed Term-Series 135
Name of the Issuer	8.9% DHFL NCD RED 04-06-2021
ISIN	INE202B07IY2
Rating	CARE D
Principal Amount (Rs in Lakhs)	2000
Market Value (Rs in Lakhs)	400.142
% to Net Assets *	2.31
Value (in absolute terms) of the security considered under net receivables /current assets	–
Value (in % terms) of the security considered under net receivables/ current assets *	–

On 8th May 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

Interest Accrual was stopped from 04th June 2019

* For calculation of % to Net Assets and Value (in % terms), AUM as on 31 Mar 2020 has been considered.

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 136

1 Investments:-

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies as of year ended March 31, 2020 and March 31, 2019:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open position of Securities Borrowed and / or Lent by the scheme as of financial years ended 2020 and 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 (Ref. Note 9) and March 31, 2019 is NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial years March 31, 2020 and March 31, 2019 are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	5,994,690	1.21	2,208,770	0.44
– Depreciation	41,000,455	8.29	5,511,100	1.10
Government of India Securities				
– Appreciation	1,518,760	0.31	895,460	0.18
– Depreciation	–	–	–	–

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 88,723,848 and Rs. NIL respectively being 18.30% and NIL of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 458,155,715 and Rs. NIL respectively being 94.54% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	366,693,024	74.14%	406,414,935	81.32%
Total	366,693,024	74.14%	406,414,935	81.32%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	632,294.10	98.57

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	45.55	94.47	362,712.60	77.43

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL
 - (ii) Devolvement - NIL
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the years ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020**

4 Unit Capital movement during the year ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	46,892,238.414	–	–	46,892,238.414	10
Dividend Option	459,749.905	–	–	459,749.905	10
Direct Plan - Growth Option	349,450.000	–	–	349,450.000	10
Direct Plan - Dividend Option	950.000	–	–	950.000	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	–	46,892,238.414	–	46,892,238.414	10
Dividend Option	–	459,749.905	–	459,749.905	10
Direct Plan - Growth Option	–	349,450.000	–	349,450.000	10
Direct Plan - Dividend Option	–	950.000	–	950.000	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

9 I) Hair Cut in valuation & interest during the year in security rated below Investment Grade or Default

Rs. In Lakhs

Scheme name	Name of the security	ISIN	Hair cut in valuation (A)	Hair cut in interest accrued #	Total Hair cut during the half Year (A+B)
HSBC Fixed Term-Series 136	9.05% DEWAN HSNG FIN NCD RED 09-09-2021	INE202B07IL9	282.02	24.83	306.85

II) Below investment grade or default security as of March 31, 2020

Scheme Name	HSBC Fixed Term-Series 136
Name of the Issuer	9.05% DEWAN HSNG FIN NCD RED 09-09-2021
ISIN	INE202B07IL9
Rating	CARE D
Principal Amount (Rs in Lakhs)	500.00
Market Value (Rs in Lakhs)	125.00
% to Net Assets *	2.53%
Value (in absolute terms) of the security considered under net receivables /current assets	8.28
Value (in % terms) of the security considered under net receivables/ current assets *	0.17%

On 8th May 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

Interest Accrual was stopped from 04th June 2019

* For calculation of % to Net Assets and Value (in % terms), AUM as on 31 Mar 2020 has been considered.

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 137

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–	–	740,203,250
	Equities	–	–	–	194,922,114
Bharti Airtel Ltd.	Equities	–	594,575,759	–	356,482
Balrampur Chini Mills Ltd.	Equities	–	–	–	17,018,040
Thomas Cook (India) Ltd.	Equities	–	–	–	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	10,581,396	1.61	4,825,318	0.80
– Depreciation	270,849	0.04	–	–
Government of India Securities				
– Appreciation	1,150,307	0.17	415,522	0.07
– Depreciation	24,282	0.00	–	–

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 15,398,127 and NIL respectively being 2.44% and NIL of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 578,948,096 and NIL respectively being 97.76% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	548,030,100	83.19%	526,603,970	87.44%
Total	548,030,100	83.19%	526,603,970	87.44%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	474,376	94.21

The Hongkong and Shanghai Banking Corporation Limited	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	38.22	64.98	20,516	31.48

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL.

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL
 - (ii) Devolvement - NIL
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the years ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020**

4 Unit Capital movement during the years ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	39,813,232.391	–	–	39,813,232.391	10
Dividend Option	10,000.000	–	–	10,000.000	10
Direct Plan - Growth Option	18,911,650.070	–	–	18,911,650.070	10
Direct Plan - Dividend Option	1,000.000	–	–	1,000.000	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	–	39,813,232.391	–	39,813,232.391	10
Dividend Option	–	10,000.000	–	10,000.000	10
Direct Plan - Growth Option	–	18,911,650.070	–	18,911,650.070	10
Direct Plan - Dividend Option	–	1,000.000	–	1,000.000	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

- 9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 10 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

HSBC FIXED TERM SERIES 139

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2020		2019	
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	-	-	-	740,203,250
	Equities	-	-	-	194,922,114
Bharti Airtel Ltd.	Equities	-	594,575,759	-	356,482
Balrampur Chini Mills Ltd.	Equities	-	-	-	17,018,040
Thomas Cook (India) Ltd.	Equities	-	-	-	132,485,094

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2020 and March 31, 2019 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 and March 31, 2019 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
- Appreciation	9,233,774	1.94	3,402,733	0.78
- Depreciation	-	-	-	-
Certificates of Deposit/Commercial Paper				
- Appreciation	-	-	-	-
- Depreciation	-	-	-	-
Government of India Securities				
- Appreciation	791,707	0.17	116,872	0.03
- Depreciation	8,094	0.00	-	-

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 51,327,09 and NIL respectively being 1.12% and NIL of the average daily net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2018-2019 (excluding accretion of discount) is Rs. 421,190,385 and NIL respectively being 97.69% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2020		2019	
Debt Instruments	321,927,584	67.48%	389,707,618	89.60%
Total	321,927,584	67.48%	389,707,618	89.60%

- 2 **Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended**

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	4,23,645.10	99.45

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2018-2019	34.13	79.69	–	–

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL.

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL
- (ii) Devolvement - NIL
- (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the years ended March 31, 2020 and March 31, 2019.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020**

4 Unit Capital movement during the year ended March 31, 2020 & March 31, 2019:

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	33,879,441.186	–	–	33,879,441.186	10
Dividend Option	378,142.772	–	–	378,142.772	10
Direct Plan - Growth Option	8,567,700.000	–	–	8,567,700.000	10
Direct Plan - Dividend Option	1,500.000	–	–	1,500.000	10

Description	2018-2019				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	–	33,879,441.186	–	33,879,441.186	10
Dividend Option	–	378,142.772	–	378,142.772	10
Direct Plan - Growth Option	–	8,567,700.000	–	8,567,700.000	10
Direct Plan - Dividend Option	–	1,500.000	–	1,500.000	10

5 Previous year's figures have been re-grouped/re-arranged where appropriate.

Due to effects of implemented SEBI circular dated 13 December 2018 related to reduction in TER charged to the schemes effective from 1 April 2019 and the SEBI Circular dated 22 October 2018 related to charging of all scheme related expenses in respective schemes, the previous year figures are not comparable with current year figures.

6 No contingent liabilities for the years ended March 31, 2020 and March 31, 2019.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2020

- 9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 10 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2020

HSBC FIXED TERM SERIES 140

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open positions of derivatives as of period ended March 31, 2020 is NIL
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes
			2020
Shriram Transport Finance Company Ltd.	Corporate Bonds / Debentures	–	–
	Equities	–	–
Bharti Airtel Ltd.	Equities	–	594,575,759
Balrampur Chini Mills Ltd.	Equities	–	–
Thomas Cook (India) Ltd.	Equities	–	–

- 1.4. Open position of Securities Borrowed and / or Lent by the scheme as of period ended March 31, 2020 is NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2020 is NIL.
- 1.6. Aggregate unrealised gain / loss as at the end of the financial period and their percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets
	2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing		
– Appreciation	7,207,474	1.71
– Depreciation	203,344	0.05
Government of India Securities		
– Appreciation	644,540	0.15
– Depreciation	–	–

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 378,642,804 and NIL respectively being 100.32% and NIL of the average daily net assets.
- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2020

Security Category	Amount (Rupees)	Percentage to Net Assets
	2020	
Debt Instruments	315,280,748	74.75%
Total	315,280,748	74.75%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended**Commission paid to Sponsor/AMC and its associates/related parties/group companies**

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	-	-	3,31,099.80	95.59

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL.

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL
 - (ii) Devolvement - NIL
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the period ended March 31, 2020.
- 4 Unit Capital movement during the period ended March 31, 2020:

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Growth Option	-	30,183,397.374	-	30,183,397.374	10
Dividend Option	-	65,800.000	-	65,800.000	10
Direct Plan - Growth Option	-	8,243,600.000	-	8,243,600.000	10
Direct Plan - Dividend Option	-	6,000.000	-	6,000.000	10

- 5 As these are the first financial statements of the schemes since the date of launch, there are no prior period comparatives.
- 6 No contingent liabilities for the period ended March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2020

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2020. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2019	214.68	119.02
Add: Accrual during FY 2019-20	237.54	234.07
Less: Transferred to AMFI	109.69	107.30
Less: Payable to AMFI (March 2020 accrual)	9.08	9.73
Add: Investment Income FY 2019-20	15.93	15.43
Less: Spent during FY 2019-20	41.98	36.81
Closing Balance as on March 31, 2020	307.40	214.68

- 9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India during the period ended and post 31 March 2020 is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 10 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on August 10, 2020 and August 11, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Scheme launched during the current financial year

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.com/in>

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Ltd (HSBC) for information purposes only and should not be construed as an offer or solicitation of an offer for purchase of any of the schemes of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources HSBC and the third party which HSBC believes to be reliable however, has not independently verified the same. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable (if any) at the time of publication, which are subject to change from time to time. Expressions of opinion are those of HSBC only and are subject to change without notice. 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 realized. 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.

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

Important Update

Central KYC (CKYC) is an initiative of the Government of India where the aim is to have a framework in place which allows investors to do their KYC only once. An investor can use the CKYC issued unique number (comprising 14 digits) to transact/deal with various entities in the financial sector, without the need to complete multiple KYC formalities.

CKYC is being managed by CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India), authorized by Government of India to function as Central KYC Registry (CKYCR). Thus, CKYCR will act as centralized repository of KYC records of investors in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector.

In this regard, the Securities and Exchange Board of India and AMFI (Association of Mutual Funds in India, a mutual fund industry body) have issued guidelines dated November 10, 2016 and June 26, 2018 respectively, towards updation of CKYC for all investors. We request you to complete the CKYC for all the unit holders in the folios where investment is held in the schemes of HSBC Mutual Fund. You can download the [CKYC form](#) from our website <https://www.assetmanagement.hsbc.co.in/> (Home>Investor resources>Information Library>Know your customer) and submit it to our nearest ISC/CAMS Point of Acceptance for CKYC updation.

If your CKYC is already updated, kindly forward the details of the same to us for updation. For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 or write to us at hsbcmf@camsonline.com

Book-Post

If undelivered please return to:

Computer Age Management Services Private Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P Ltd, SF No. 558/2, Udayampalayam Road,
Nava India, Coimbatore - 641028.

HSBC GLOBAL ASSET MANAGEMENT, INDIA INVESTOR SERVICE CENTRES

City	Address
Ahmedabad	Mardia Plaza, C. G. Road, Ahmedabad - 380 006.
Bengaluru	No. 7, HSBC Centre, M. G. Road, Bengaluru - 560 001.
Chandigarh	SCO 1, Sector 9 D, Chandigarh - 160 017.
Chennai	No. 30, 2nd Floor, Rajaji Salai, Chennai - 600 001.
Hyderabad	6-3-1107 & 1108, Rajbhavan Road, Somajiguda, Hyderabad - 500 082.
Kolkata	31, BBD Bagh, Dalhousie Square, Kolkata - 700 001.
Mumbai	16, Veer Nariman Road, Fort, Mumbai - 400 001.
New Delhi	Ground Floor, East Tower, Birla Tower, 25, Barakhamba Road, New Delhi - 110 001.
Pune	Amar Avinash Corporate City, Sector No.11, Bund Garden Road, Pune - 411 001.

Toll Free Number : 1800 200 2434 / 1800 258 2434 (can be dialled from all phones within India) and investors calling from abroad may call on **+91 44 39923900** to connect to our customer care centre.

HSBC Asset Management (India) Private Limited

Registered Office : 16, Veer Nariman Road, Fort, Mumbai 400 001.

E-mail : hsbcmf@camsonline.com

TOLL FREE : 1800 200 2434 / 1800 258 2434

VISIT : www.assetmanagement.hsbc.co.in



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