HSBC ELSS Tax saver Fund

(Previously known as HSBC ELSS Fund)

The less you delay, the more you enjoy.

Product Deck

October 2023

HSBC Mutual Fund

Understand options available for Tax exemptions

The Income Tax Act provides several options – investment as well as non-investment-linked – to save tax

Section of the Income Tax Act	Particular	Tax exemption limit
Investment-linked		
80C	Employee Provident Fund	Rs 150,000
	Life Insurance Policy	
	ELSS	
	National Pension System (NPS)	
	FDs (5 years)	
	National Savings Certificate (NSC)	
	Sukanya Samriddhi Yojana	
	Senior Citizen Savings Scheme	
	Public Provident Fund (PPF)	
80 CCD (1B)	NPS	Rs 50,000 (over Rs 1.50 lakh under 80C)
Non-investment-linked		
80D	Medical insurance	Rs 25,000
80E	Education loan interest	No limit
24B	Payment of interest on home loan	Rs 200,000

For illustration purpose only, Source - CRISIL
It is recommended to consult a financial advisor before making an investment decision
Past performance may or may not be sustained in the future and is not indicative of future results. Mutual fund investments are subject to market risks read all scheme-related documents carefully

Do’s & Don’t: Use tax-efficient avenues to match financial goals

Equity-based instruments

- ELSS: 10% tax on long-term capital gains exceeding Rs 1 lakh (ELSS subject to 3 years lock-in period)
- ULIP: Taxable on contribution of more than Rs 2.5 lakh per annum

Debt-based instruments

- PPF: Tax exempt at contribution, accumulation and withdrawal
- NSC: Interest income taxed at income tax slab rates applicable
- Tax-saving FDs: Interest income taxed at income tax slab rates applicable

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Do's & Don't: evaluating lock-in period of tax-saving investments

Equity-based instruments

- ELSS: Lock-in period of 3 years. Full amount can be withdrawn after three years from date of allotment
- Insurance/ULIP: No surrender charges after five years

Debt-based instruments

- PPF: Lock-in period of 15 years; partial withdrawal permitted after six years
- NSC: No withdrawal prior to maturity, but investments can be used as collateral to avail loans from banks
- Tax-saving FDs: Premature exits permitted, subject to applicable charges

For illustration purpose only , Source - CRISIL
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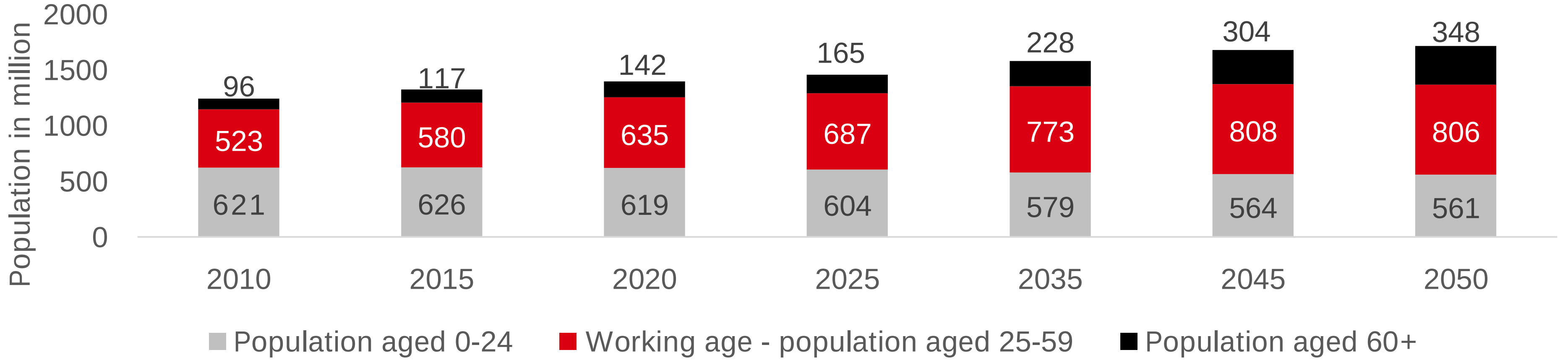
Invest as per your risk appetite and age

The costliest mistake that investors make in investment and tax-saving decisions is not investing as per their risk appetite and age

The investment duration should ideally be in inverse proportion to age, i.e. the younger the investor, the longer timeframe the investment horizon should be, and vice versa

- India has a demographic advantage over most major economies. The country has a relatively young population, with an average age of less than 30 years. The country will continue to have a large young population in the foreseeable future



- By a basic thumb rule, a young investor has a higher risk profile, i.e. ability to take higher risks and, thus, generate higher returns on his/her investments
- In this case, ELSS funds, with their mandate to invest in equity, allow investors to use this demographic advantage to their benefit, while also saving on tax in the process

Source: United Nations data , CRISIL
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Traditional instruments – pros

- Key attraction of traditional debt-based instruments is safe
- Apart from tax deductions, investors use debt instruments to meet their financial goals. As debt offers relatively stable returns, it is easier for investors to predict the end value of the corpus
- Another advantage is that a change in interest rate only affects the interest component and not the invested amount. As a result, there is minimal risk of negative returns

Illustration

Suppose Anil requires Rs 1 lakh annually to meet his son's educational expenses five years from now. He can aim to realize this by investing Rs 73,000 annually in a five-year FD. This way, he may be able to meet his objective and also save on tax every year.

Period	Investment in 5-year FD	Tax savings assuming 30% tax slab (if money not invested)	Period	Maturity value assuming interest rate of 6.50%*
Year 1	73,000	21900	Year 6	100,016
Year 2	73,000	21900	Year 7	100,016
Year 3	73,000	21900	Year 8	100,016
Year 4	73,000	21900	Year 9	100,016
Year 5	73,000	21900	Year 10	100,016

Source – CRISIL, *SBI fixed deposit rate for 5 years, with effect from 30 September 2023
For illustration purpose only
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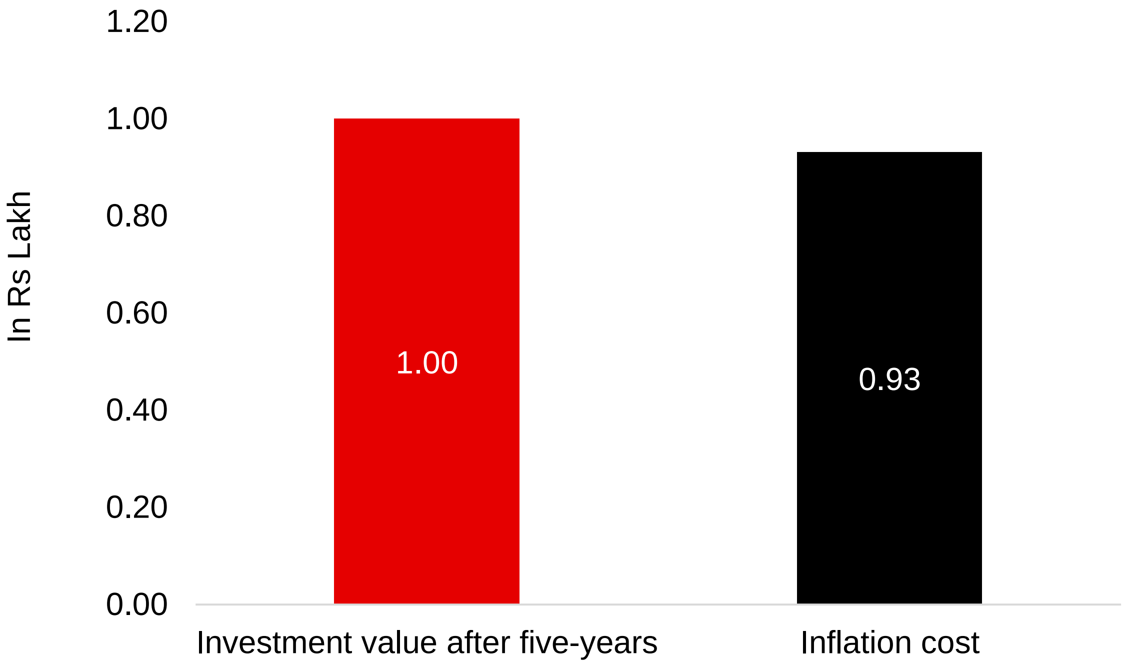
Traditional instruments – cons

- While fixed-income investments aims to provide the benefit of capital protection and relatively stable returns, the returns can be inadequate, after factoring in inflation
- This highlights the biggest drawback of traditional investments – their inability to act as return enhancers. Hence, there is a need to look at instruments that offer better inflation-adjusted returns
- If we look at the earlier illustration, even though Anil's Rs 73,000 investment in FD grew 6.50% to Rs 1 lakh, the inflation, considering the same amount, grew about 5% to Rs 93,000, resulting in a meagre inflation-adjusted return of Rs 7,000



Fort illustration purpose only Source – CRISIL, Assuming inflation of ~5% (5-year average inflation rate for fiscals 2017-23 CPI)
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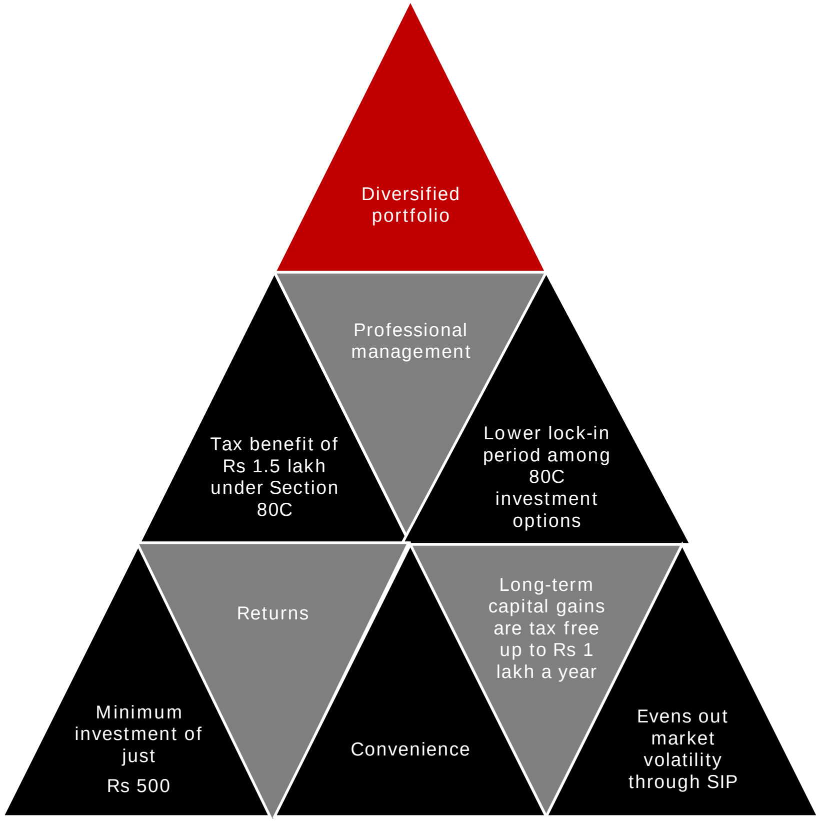
ELSS – A good combo to save tax and build potential wealth over the long term

- Is a tax saving scheme that predominantly invests in equity securities
  - Managed by fund managers with experience and backed by research
  - Diversified portfolio across sectors and market capitalisation
- Investors need to hold units for at least three years to claim a tax rebate
  - Longer investment horizon increases the probability of higher risk-adjusted returns for the investor
- Withdrawals from ELSS after the three-year lock-in period are tax-free up to Rs 1 lakh in a financial year
- Flexibility to invest on monthly basis through systematic investment plans
  - Minimum investment can be as low as Rs 500 per month
  - Reduces market volatility and averages out the cost for the investor
- Investments are subject to market risk, and, hence, investors must consider their age and risk appetite

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

An ELSS offers many benefits including building a retirement kitty

- A word of caution: Investors must remember that as returns are market-linked, they are prone to volatility. Hence, an ELSS may not be suitable for very risk-averse investors. Also, investors must remain invested for at least three years to claim tax benefits
- In India, it is common for young investors to not take retirement planning seriously. This is because investors entering the workforce usually make the mistake of believing there will be time to do so in the years ahead
- What's more, many investors who plan for their retirement rely on fixed income investments for this purpose
- Since retirement planning is a long-term goal, you can aim to effectively meet it by investing in an ELSS
- If Amish wants to build a retirement kitty of some amount at the retirement age of 60, he can achieve it by investing certain money on a monthly basis in an ELSS for the next 30 years



Source – CRISIL
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HSBC Mutual Fund

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Case for Equity Linked Savings Schemes (ELSS)

Tax Saving^ + Growth advantage

Long term investment can deliver performance	• Longer investment horizon increases the probability of better risk-adjusted returns for investors
Tax Savings ^	• ELSS funds offer tax saving^ opportunity under section 80C • Withdrawals are subjected to capital gains tax^ and dividend income is taxed at 10%
Volatility	• Relatively lower volatility due to long term investments • Some ELSS funds follow Flexi cap strategy, which allows them to move towards relatively less volatile large caps as and when necessary or some of them follow Multi Cap strategy which also has potential to reduce volatility
Low investment	• Flexibility to invest on a monthly basis through systematic investment plans (SIPs) • Reduces market volatility and averages out the cost for investor
Professional Fund Managers and Processes	• Professionally managed by fund managers with experience and research driven processes
Diversified portfolio of equities	• A tax saving scheme^ that predominantly invests in equity securities • Diversified portfolio across sectors and market cap

HSBC MF, CRISIL, ELSS funds are subject to the Capital gains which will be charged at 10% if above INR 1 lakh. ^ Dividend is subjected to 10% tax. Past performance may or may not be sustained in the future and is not indicative of future results. Mutual fund investments are subject to market risks read all scheme-related documents carefully.

HSBC ELSS Tax saver Fund (HETF)

A tax saving + growth strategy

Growth	+	Tax saving	=	HSBC ELSS Tax saver Fund (HETF)
A diversified portfolio across sectors and market caps with potential to deliver growth over a long term.		Equity Linked Savings Schemes (ELSS) offer tax saving^ opportunity through section 80C.		HETF focuses to build a diversified portfolio across sectors and market caps while offering tax saving^ opportunity.

Investors are requested to note that, in order to facilitate ease of identification by investors and implement uniform nomenclature across mutual funds, SEBI vide its letter dated September 26, 2023 advised AMCs to modify the nomenclature of the schemes under 'ELSS' category to 'ELSS Tax saver'. Accordingly, the name of HSBC ELSS Fund, an open ended equity linked saving scheme of HSBC Mutual Fund stands modified as under with effect from Wednesday, October 25, 2023 ("Effective Date"). Past performance may or may not be sustained in the future and is not indicative of future results. Mutual fund investments are subject to market risks read all scheme-related documents carefully.

HSBC ELSS Tax saver Fund

Fund Category	Fund Manager	Benchmark [1]	Inception Date	AUM [&]
Equity Linked Savings Scheme	Cheenu Gupta, Gautam Bhupal and Sonal Gupta#	NIFTY 500 TRI	27 Feb 2006	Rs. 3294.99 Cr

Why HSBC ELSS Tax Saver Fund?

- To save taxes under Section 80C of Income Tax Act*
- The investment approach is bottom-up stock picking. The Scheme seeks to add the opportunities that the market presents, without any sector/cap bias
- Bottom-up stock picking: The Scheme focuses on bottom-up stock picking (i.e. focusing solely on prospects of individual stocks) as opposed to a top-down approach (i.e. predicting macro-economic and political trends, themes/sectors and taking investment decisions based on them)
- No cap bias: It will seek to identify the best stocks at a point in time, regardless of any market cap bias.
- To create a corpus through generating inflation-adjusted returns to cater to long-term goals

Fund Philosophy

- The fund aims for bottom-up investment approach for stocks' and companies' selection for a well-diversified quality portfolio
- The 3 year lock-in helps the fund manager take positions in stocks with longer term potential
- The scheme focuses on delivering risk-adjusted performance over the long term coupled with tax saving under section 80C makes it an attractive investment option for long term investors
- The fund has a proven long-term track record across various time periods / market cycles
- The fund with its flexible investment approach of investing across the market spectrum, has stood the test of time and has a proven track record of over 10 years

Investment Objective

- The investment objective of the Scheme is to generate long-term capital growth from a diversified portfolio of predominantly equity and equity-related securities. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns. For defensive considerations and/or managing liquidity, the Scheme may also invest in money market instruments.

Portfolio	% to net assets
HDFC Bank Limited	7.40%
Larsen & Toubro Limited	5.23%
ICICI Bank Limited	5.20%
Cholamandalam Investment & Finance Company Limited	4.09%
KPIT Technologies Limited	3.68%
CG Power and Industrial Solutions Limited	3.32%
Reliance Industries Limited	3.19%
Persistent Systems Limited	2.86%
The Indian Hotels Company Limited	2.79%
Infosys Limited	2.69%

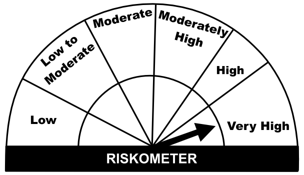
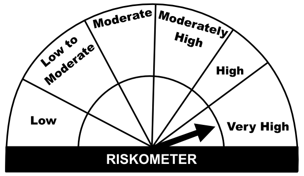
Sector - Allocation	% to net assets
Banks	19.16%
IT - Software	11.29%
Finance	10.20%
Electrical Equipment	8.70%
Automobiles	5.46%
Construction	5.23%
Auto Components	4.45%
Consumer Durables	4.31%
Pharmaceuticals & Biotechnology	3.89%
Leisure Services	3.78%

[1] As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark effective from 01 December 2021. # Sonal Gupta is dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund. &For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website https://www.assetmanagement.hsbc.co.in/en/mutual-funds/investor-resources/information-library#&accordion1446811090=4. Note: The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s).
Data as on 30 September 2023, HSBC Mutual Fund,

HSBC Mutual Fund

HSBC ELSS Tax Saver Fund

Product Label

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC ELSS Tax saver Fund Equity Linked Savings Scheme - An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit This product is suitable for investors who are seeking*: • Long term capital growth • Investment predominantly in equity and equity-related securities.	 Investors understand that their principal will be at Very High risk	Benchmark Index: Nifty 500 TRI 

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

Note on Risk-o-meters: Riskometer is as on 30 September 2023, Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme

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HSBC Asset Management

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