



HSBC Large Cap Fund **(Erstwhile HSBC Large Cap Equity Fund)**

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

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "**MF Regulations**"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Large Cap Fund (Erstwhile HSBC Large Cap Equity Fund) (HLEF)

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

The investment objective of the schemes is 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HLEF amounted to INR 1405.54 crores as at March 31, 2023 as against INR 766.38 crores as at March 31, 2022. Around 99.39% of the net assets were invested in equities, 0.9% of the net assets were invested in reverse repos/TREPS and (-0.29%) in net current assets as at March 31, 2023.

HLEF endeavors to provide long-term capital growth from an actively managed portfolio, mainly comprising companies registered in and/or listed on a regulated market of India. HLEF invests at least 80% in large cap companies and may also invest in equity and equity related instruments of companies other than large cap companies.

HLEF outperformed its benchmark index since inception and in the 1-year period largely due to stock selection. Stock selection in Cement, Agrochemicals, Power Utilities, Tobacco, and Private banks had a positive impact on the portfolio however selection in Technology and Auto were detractors. From a sectoral allocation perspective, underweight in Utilities and overweight in Discretionary and Financials had a positive impact whereas underweight in staples had a negative impact on the performance.

On the portfolio construction front, the scheme continues to run a high conviction portfolio, with a cyclical tilt to be well positioned for the earnings growth and macro recovery cycle holding a medium to long term view. The Fund Manager remains focused on the fundamentals of the companies and their earnings growth trajectory and prefer dominant businesses with scalability and available at reasonable valuations. Portfolio construction is through bottom-up stock selection and there is an emphasis on companies delivering earnings surprises.



As on 31st March 2023, the portfolio was overweight on Healthcare, Real Estate, and Consumer Staples. The portfolio was underweight on Materials, Financials, Consumer Discretionary, and Industrials. Equal weight sectors were Energy, Utilities, Communication Services, and Technology.

| HSBC Large Cap Fund | | Date of Inception : 10 December, 2002 | | | | | | | |
|--|---------------|---------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Large Cap Fund | 9,918 | -0.82 | 18,826 | 23.48 | 16,021 | 9.86 | 327,863 | 18.74 | |
| Scheme Benchmark (Nifty 100 TRI) | 9,842 | -1.58 | 20,322 | 26.66 | 17,384 | 11.67 | NA | NA | |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 214,384 | 16.28 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---------------------|--|---|
| HSBC Large Cap Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY 100 TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to

Trustees' Report

For the year ended March 31, 2023 (Contd...)

monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---------------------|--------------------|---------------|----------------------|---------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Large Cap Fund | 10,165 | 26,034,621.47 | 913 | 28,376,664.71 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for

Trustees' Report

For the year ended March 31, 2023 (Contd...)

engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Large Cap Fund | Very High | Very High | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code /Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Large Cap Fund (Erstwhile known as HSBC Large Cap Equity Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Large Cap Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of

Independent Auditors' Report (Contd...)

adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYO3032

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 8,820.04 |
| 2 | Reserves & Surplus | 5,252.25 |
| 2.1 | Unit Premium Reserves | (7,763.70) |
| 2.2 | Unrealised Appreciation Reserve | (15,888.46) |
| 2.3 | Other Reserves | 13,653.55 |
| 3 | Loans & Borrowings | 23,336.38 |
| 4 | Current Liabilities & Provisions | 63,932.05 |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 1,628.61 |
| | TOTAL | 142,105.84 |
| | | 78,104.56 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 139,695.84 |
| 1.1.2 | Preference Shares | 75,826.78 |
| 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 | 139,695.84 |
| | | 75,826.78 |
| 2 | Deposits | 12.22 |
| 3 | Other Current Assets | 7.75 |
| 3.1 | Cash & Bank Balance | 585.91 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 587.08 |
| 3.3 | Others | 1,261.84 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | 1,101.01 |
| | TOTAL | 142,105.84 |
| | | 78,104.56 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 1,039.36 | 600.48 |
| 1.2 Interest | 88.36 | 38.30 |
| 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 | 6,385.47 | 11,530.29 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 14.61 | 20.01 |
| (A) | 7,527.80 | 12,189.08 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 1,109.83 | 931.66 |
| 2.2 GST on Management Fees | 199.77 | 167.70 |
| 2.3 Transfer Agents Fees and Expenses | 80.62 | 78.65 |
| 2.4 Custodian Fees | 2.46 | 9.30 |
| 2.5 Trusteeship Fees | 3.23 | 3.54 |
| 2.6 Commission to Agents | 752.24 | 540.67 |
| 2.7 Marketing & Distribution Expenses | 3.49 | 0.44 |
| 2.8 Audit Fees | 1.18 | 1.76 |
| 2.9 Investor Education Expenses | 19.90 | 15.23 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 22.52 | 15.93 |
| (B) | 2,195.24 | 1,764.88 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) | 5,332.56 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) | 5,332.56 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | (9,682.84) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) | (4,350.28) |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 9,682.84 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 124.14 |
| 7.3 Add/(Less) : Equalisation | 58,202.21 | (2,738.53) |
| 7.4 Transfer from Reserve Fund | 63,932.05 | 56,261.70 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 127,466.82 | 63,947.37 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (1,699.47) | (15.33) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 125,767.35 | 63,932.04 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 312.6348 | 272.0638 |
| Regular Plan - IDCW Option | 39.7370 | 34.5804 |
| Direct Plan - Growth Option | 336.6810 | 290.2409 |
| Direct Plan - IDCW Option | 36.9983 | 34.4522 |
| High | | |
| Regular Plan - Growth Option | 334.7415 | 336.2795 |
| Regular Plan - IDCW Option | 42.5468 | 42.7424 |
| Direct Plan - Growth Option | 362.7642 | 361.4526 |
| Direct Plan - IDCW Option | 39.8604 | 42.6623 |
| Low | | |
| Regular Plan - Growth Option | 270.4264 | 261.7979 |
| Regular Plan - IDCW Option | 34.3721 | 33.2755 |
| Direct Plan - Growth Option | 291.8070 | 279.4531 |
| Direct Plan - IDCW Option | 32.0659 | 33.1714 |
| End | | |
| Regular Plan - Growth Option | 310.5054 | 312.6348 |
| Regular Plan - IDCW Option | 36.1021 | 39.7370 |
| Direct Plan - Growth Option | 337.5701 | 336.6810 |
| Direct Plan - IDCW Option | 33.7197 | 36.9983 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 140,554 | 76,638 |
| Average (AAuM) ¹ | 99,509 | 76,139 |
| 3. Gross income as % of AAuM ² | | |
| | 7.56% | 16.01% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (Including GST on Management fees) (planwise) | | |
| Regular Plan | 2.33% | 2.44% |
| Direct Plan | 1.38% | 1.49% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 1.12% | 1.24% |
| Direct Plan | 1.05% | 1.13% |
| 5. Net Income as a percentage of AAuM ³ | | |
| | 5.36% | 13.69% |
| 6. Portfolio turnover ratio ⁴ | | |
| | 0.63 | 0.50 |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 3.50 | - |
| Direct Plan - IDCW Option | 3.50 | 3.00 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| Corporate | | |
| Regular Plan - IDCW Option | 3.50 | – |
| Direct Plan - IDCW Option | 3.50 | 3.00 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | -0.82% | 14.91% |
| Direct Plan - Growth Option | 0.14% | 16.00% |
| Benchmark | | |
| NIFTY 100 TRI ⁺ | -1.58% | 20.63% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 18.74% | 19.51% |
| Direct Plan - Growth Option | 12.05% | 13.17% |
| Benchmark | | |
| NIFTY 100 TRI ⁺ | NA ⁺ | NA ⁺ |

⁺ For HSBC Large Cap Equity Fund Nifty 100 TRI index was launched on Jan 01, 2003 i.e. post date of allotment of HSBC Large cap equity fund regular plan, 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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year March 31, 2023 and March 31, 2022 and percentage to net assets are as under:

| Company Name | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|----------------------|---------------|--------------------------|---------------|--------------------------|
| | 2023 | | 2022 | |
| Equity Shares | | | | |
| – Appreciation | 1,690,040,852 | 12.02 | 2,444,746,415 | 31.90 |
| – Depreciation | 324,686,240 | 2.31 | 111,108,094 | 1.45 |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 6,276,275,556 and Rs. 7,032,686,095 respectively being 63.07% and 70.67% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 3,819,082,317 and Rs. 4,350,404,668 respectively being 50.16% and 57.14% of the average net assets.

- 1.8. Non-Traded securities in the portfolio of the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.

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

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | 43.51 | 4.73 | 19,810,483 | 19.34 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 47.20 | 49.55 | 21,371,841 | 42.90 |

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 | 2022-2023 | 92.57 | 6.96 | 1,111,110 | 7.62 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | 9.23 | 1.13 | 110,725 | 1.24 |

- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | Face Value per unit (Rupees) |
|--------------------------------|----------------|----------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan Growth Option | 17,183,047.434 | 20,635,912.863 | 3,691,954.829 | 34,127,005.468 | 10 |
| Regular Plan IDCW Option | 31,843,915.929 | 20,375,884.790 | 4,472,090.958 | 47,747,709.761 | 10 |
| Direct Plan - Growth Option ** | 2,991,471.681 | 2,775,966.893 | 784,694.583 | 4,982,743.991 | 10 |
| Direct Plan - IDCW Option | 504,048.659 | 900,820.915 | 61,967.545 | 1,342,902.029 | 10 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| Description | 2021-2022 | | | | Face Value per unit (Rupees) |
|-------------------------------|----------------|---------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan Growth Option | 17,893,263.169 | 2,250,017.354 | 2,960,233.089 | 17,183,047.434 | 10 |
| Regular Plan IDCW Option | 36,072,579.512 | 234,820.655 | 4,463,484.238 | 31,843,915.929 | 10 |
| Direct Plan - Growth Option** | 3,016,403.054 | 457,128.782 | 482,060.155 | 2,991,471.681 | 10 |
| Direct Plan - IDCW Option | 722,180.802 | 35,881.508 | 254,013.651 | 504,048.659 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 64,377.409 & as on March 31, 2022 is 33,261.112.

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 1,461,016/- represents Exit load credited to the scheme. (2022: Rs. 20,01,235/- represents Exit load 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Large Cap Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD/RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Flexi Cap Fund

Flexi Cap Fund – An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Flexi Cap Fund (HFCF)

(Flexi Cap Fund - An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks.)

The investment objective of the scheme is to seek long term capital growth through investments made dynamically across market capitalization (i.e. Large, Mid, and Small Caps). The investment could be in any one, two or all three types of market capitalization. The Scheme aims to predominantly invest in equity and

Trustees' Report

For the year ended March 31, 2023 (Contd...)

equity related securities. However, in line with the asset allocation pattern of the Scheme, it could move its assets between equity and fixed income securities depending on its view on these markets. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HFCF stood at INR 3116.05 crores as at March 31, 2023 as against INR 407.41 crores as at March 31, 2022. Around 96.63% of the net assets were invested in equities, 3.94% of the net assets were invested in reverse repos/TREPS and (-0.57%) in net current assets as at March 31, 2023.

The aim of HFCF is to seek aggressive growth and endeavor to provide long term capital growth from a dynamically managed portfolio across small, mid and large cap stocks. The investment could be in anyone, two or all three types of market capitalization. HFCF aims to be predominantly invested in equity and equity related securities. However, it could move its assets between equity and fixed income securities depending on its view on these markets.



HFCF has been overweight in sectors like capital goods, cement and healthcare. Government initiatives combined with under investment in capex over the last decade augurs well for infrastructure and capital goods sector. We believe that Make in India for boosting exports and import substitution are themes which have a long run way ahead. HFCF has been underweight sectors like Banks, Oil & Gas and Chemicals.

HFCF has outperformed over last one-year period as against its benchmark due to this positioning and a few non index stocks which benefitted from the themes mentioned above.

| HSBC Flexi Cap Fund | | Date of Inception : 24 February, 2004 | | | | | | | |
|---|---------------|---------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Flexi Cap Fund | 10,198 | 1.98 | 20,287 | 26.59 | 15,165 | 8.66 | 155,506 | 15.44 | |
| Scheme Benchmark (NIFTY 500 TRI) | 9,878 | -1.22 | 21,450 | 28.97 | 17,271 | 11.52 | 127,286 | 14.24 | |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 121,695 | 13.97 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---------------------|--|--|
| HSBC Flexi Cap Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY 500 TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to

Trustees' Report

For the year ended March 31, 2023 (Contd...)

monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322.

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For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---------------------|--------------------|---------------|----------------------|---------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Flexi Cap Fund | 12,772 | 50,376,880.18 | 903 | 36,874,071.92 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorskhaj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under

Trustees' Report

For the year ended March 31, 2023 (Contd...)

the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Flexi Cap Fund | Very High | Very High | 0 |

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For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

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For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name /Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Flexi Cap Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Flexi Cap Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of

Independent Auditors' Report (Contd...)

adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYQ9617

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 4,839.78 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (7,758.73) |
| 2.2 | Unrealised Appreciation Reserve | 15,067.09 |
| 2.3 | Other Reserves | 28,623.40 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 459.50 |
| | TOTAL | 316,016.05 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 40,296.20 |
| 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 | 301,083.88 |
| 2 | Deposits | 9.78 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 162.19 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 603.17 |
| 3.3 | Others | 159.70 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 41,231.04 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 1,227.58 | 244.24 |
| 1.2 Interest | 277.60 | 21.57 |
| 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 | 3,699.00 | 5,264.61 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 8.57 | 5.79 |
| (A) | 5,212.75 | 5,536.21 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 1,389.15 | 486.42 |
| 2.2 GST on Management Fees | 250.05 | 87.56 |
| 2.3 Transfer Agents Fees and Expenses | 100.64 | 40.62 |
| 2.4 Custodian Fees | 1.34 | 4.82 |
| 2.5 Trusteeship Fees | 2.24 | 1.82 |
| 2.6 Commission to Agents | 1,025.84 | 339.83 |
| 2.7 Marketing & Distribution Expenses | 2.55 | 0.28 |
| 2.8 Audit Fees | 1.62 | 0.85 |
| 2.9 Investor Education Expenses | 27.31 | 7.87 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 29.83 | 8.34 |
| (B) | 2,830.60 | 978.41 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR | (C = A - B) 2,382.15 | 4,557.80 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) - | - |
| 5 NET GAINS / (LOSSES) FOR THE YEAR | (E = C + D) 2,382.15 | 4,557.80 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) (11,003.26) | 3,286.29 |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR | (G = E + F) (8,621.11) | 7,844.09 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 11,003.26 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 3,286.29 |
| 7.3 Add/(Less) : Equalisation | 204,331.39 | (2,106.42) |
| 7.4 Transfer from Reserve Fund | 28,623.40 | 26,179.13 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 235,336.94 | 28,630.51 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (4,237.40) | (7.10) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 231,099.57 | 28,623.41 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 130.8263 | 106.9316 |
| Regular Plan - IDCW Option | 35.2261 | 28.7924 |
| Direct Plan - Growth Option | 141.8287 | 114.5703 |
| Direct Plan - IDCW Option | 31.5367 | 27.9996 |
| High | | |
| Regular Plan - Growth Option | 135.0689 | 142.8332 |
| Regular Plan - IDCW Option | 36.3685 | 38.4591 |
| Direct Plan - Growth Option | 146.4510 | 154.4680 |
| Direct Plan - IDCW Option | 32.5642 | 37.7271 |
| Low | | |
| Regular Plan - Growth Option | 109.8992 | 103.7732 |
| Regular Plan - IDCW Option | 29.5913 | 27.9419 |
| Direct Plan - Growth Option | 119.4530 | 111.2284 |
| Direct Plan - IDCW Option | 26.5570 | 27.1824 |
| End | | |
| Regular Plan - Growth Option | 127.6268 | 130.8263 |
| Regular Plan - IDCW Option | 31.3552 | 35.2261 |
| Direct Plan - Growth Option | 139.8839 | 141.8287 |
| Direct Plan - IDCW Option | 30.4877 | 31.5367 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 311,605 | 40,741 |
| Average (AAuM) ¹ | 136,520 | 39,331 |
| 3. Gross income as % of AAuM ² | 3.82% | 14.08% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (Including GST on Management fees) (plan wise) | | |
| Regular Plan | 2.14% | 2.54% |
| Direct Plan | 1.16% | 1.37% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 1.03% | 1.25% |
| Direct Plan | 0.88% | 1.02% |
| 5. Net Income as a percentage of AAuM ³ | 1.74% | 11.59% |
| 6. Portfolio turnover ratio ⁴ | 0.27 | 0.51 |
| 7. Total Dividend per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 3.00 | - |
| Direct Plan - IDCW Option | 0.60 | 3.00 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| Corporate | | |
| Regular Plan - IDCW Option | 3.00 | – |
| Direct Plan - IDCW Option | 0.60 | 3.00 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 1.98% | 22.35% |
| Direct Plan - Growth Option | 2.97% | 23.79% |
| Benchmark | | |
| Nifty 500 TRI | -1.22% | 22.29% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 15.44% | 15.26% |
| Direct Plan - Growth Option | 12.77% | 15.22% |
| Benchmark | | |
| Nifty 500 TRI | 14.24% | 15.16% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year March 31, 2023 and March 31, 2022 and percentage to net assets are as under:

| Security Category | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|----------------------|---------------|--------------------------|---------------|--------------------------|
| | 2023 | | 2022 | |
| Equity Shares | | | | |
| - Appreciation | 1,753,521,306 | 5.63 | 1,560,024,529 | 38.29 |
| - Depreciation | 1,347,138,636 | 4.32 | 53,316,017 | 1.31 |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) is Rs. 3,674,163,428 and Rs. 5,511,526,815 respectively being 26.91% and 40.37% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) is Rs. 2,003,660,878 and Rs. 2,415,029,927 respectively being 50.94% and 61.40% of the average net assets.

- 1.8. Non-Traded securities in the portfolio of the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL

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

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | 117.52 | 3.72 | 17,551,024 | 8.88 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 34.13 | 52.90 | 16,533,049 | 53.14 |

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 | 2022-2023 | 30.05 | 3.29 | 360,505 | 3.69 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | 6.44 | 1.48 | 77,154 | 1.52 |

3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2023 and March 31, 2022.

4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | | Face Value per unit (Rupees) |
|-------------------------------|----------------|-----------------|----------------|-----------------|--|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | | |
| Regular Plan - Growth Option | 23,341,494.674 | 180,831,473.608 | 12,556,764.917 | 191,616,203.365 | | 10 |
| Regular Plan IDCW Option | 23,491,887.904 | 131,384,528.163 | 9,863,207.579 | 145,013,208.488 | | 10 |
| Direct Plan - Growth Option** | 1,329,226.332 | 13,816,591.398 | 853,441.321 | 14,292,376.409 | | 10 |
| Direct Plan - IDCW Option | 235,163.522 | 4,917,977.442 | 248,758.671 | 4,904,382.293 | | 10 |

| Description | 2021-2022 | | | | | Face Value per unit (Rupees) |
|-------------------------------|----------------|---------------|---------------|----------------|--|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | | |
| Regular Plan - Growth Option | 24,878,244.702 | 4,415,378.895 | 5,952,128.923 | 23,341,494.674 | | 10 |
| Regular Plan - IDCW Option | 28,229,667.661 | 214,192.836 | 4,951,972.593 | 23,491,887.904 | | 10 |
| Direct Plan - Growth Option** | 1,249,062.884 | 164,696.310 | 84,532.862 | 1,329,226.332 | | 10 |
| Direct Plan - IDCW Option | 216,173.662 | 49,655.959 | 30,666.099 | 235,163.522 | | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 334381.09 & as on March 31, 2022 is 76942.845

- 5 Previous year figures have been re-grouped/re-arranged where appropriate.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 856,617/- represents Exit load credited to the scheme. (2022: Rs. 579,235/- represents Exit load 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016. The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Flexi Cap Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Infrastructure Fund **(Erstwhile L&T Infrastructure Fund)**

An open-ended Equity Scheme following Infrastructure theme.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "**MF Regulations**"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Infrastructure Fund (Erstwhile L&T Infrastructure Fund) (HIF)

(Theme based Fund - An open-ended equity Scheme following Infrastructure theme)

The investment objective of the scheme is 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in India. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HIF amounted to INR 1512.82 crores as at March 31, 2023 as against INR 1379.39 crores as at March 31, 2022. Around 98.34% of the net assets were invested in equities, 1.97% of the net assets were invested in reverse repos/TREPS and (-0.31%) in net current assets as at March 31, 2023.

HIF endeavors to provide long-term capital growth from an actively managed portfolio, primarily comprising of stocks of companies engaged in or expected to benefit from growth and development of Infrastructure in India.



HIF outperformed in 1-year period, 3-years period and since inception as against its benchmark index. HIF is overweight in Industrial which has been the key driver for outperformance. Within Industrial, overweight in Capital Goods, Defence, EPC and Logistics space has been the key driver of performance. Overweight in Materials and Real Estate while underweight in Utilities has also contributed positively to the performance. Underperformance in 5-year period is mainly driven by select metals and cement companies not doing well. However, this has reversed to a large extent in 1 and 3-year period.

HIF is currently overweight in Industrial, Materials & Real Estate and underweight on Energy, Utilities, Communication Services & Consumer Discretionary. Within Industrial, the fund manager is positive on EPC, capital goods and defence. Within material, the fund manager is positive on cement while negative on metals.

| HSBC Infrastructure Fund | | | | Date of Inception : 27 September, 2007 | | | | |
|--|---------------|----------------|---------------|--|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Infrastructure Fund | 11,170 | 11.70 | 25,281 | 36.23 | 15,165 | 8.66 | 26,276 | 6.42 |
| Scheme Benchmark (Nifty Infrastructure TRI) | 10,231 | 2.31 | 22,461 | 30.96 | 16,608 | 10.65 | 13,785 | 2.09 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 41,633 | 9.63 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--------------------------|--|--|
| HSBC Infrastructure Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: S&P BSE India Infrastructure TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to

Trustees' Report

For the year ended March 31, 2023 (Contd...)

monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|--------------------------|--------------------|--------------|----------------------|---------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Infrastructure Fund | 476 | 1,685,597.85 | 511 | 10,292,703.21 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| | | 2022-2023 | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for

Trustees' Report

For the year ended March 31, 2023 (Contd...)

engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Infrastructure Fund | Very High | Very High | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Infrastructure Fund (Erstwhile known as L&T Infrastructure Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Infrastructure Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report (Contd...)

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated 22 July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale
Partner
Membership No: 117812
UDIN: 23117812BGXQXV5422

Place : Mumbai
Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 57,314.25 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 37,506.38 |
| 2.2 | Unrealised Appreciation Reserve | 46,882.52 |
| 2.3 | Other Reserves | (3,807.95) |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 1,186.70 |
| | TOTAL | 151,963.64 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 137,073.11 |
| 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 | 148,695.65 |
| 2 | Deposits | 20.61 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 23.50 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 1,923.40 |
| 3.3 | Others | 41.28 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 151,963.64 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 1,252.03 | 1,091.51 |
| 1.2 Interest | 119.53 | 44.48 |
| 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 | 17,406.70 | 14,419.93 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 15.89 | 29.90 |
| | (A) | 15,585.82 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 1,224.15 | 1,075.79 |
| 2.2 GST on Management Fees | 220.35 | 193.64 |
| 2.3 Transfer Agents Fees and Expenses | 106.82 | 98.52 |
| 2.4 Custodian Fees | 3.31 | 4.71 |
| 2.5 Trusteeship Fees | 0.91 | 0.89 |
| 2.6 Commission to Agents | 1,122.29 | 1,158.98 |
| 2.7 Marketing & Distribution Expenses | 1.25 | 0.82 |
| 2.8 Audit Fees | 1.67 | 1.51 |
| 2.9 Investor Education Expenses | 28.28 | 26.14 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 21.95 | 21.29 |
| | (B) | 2,582.29 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR | (C = A - B) | 13,003.53 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | - |
| 5 NET GAINS / (LOSSES) FOR THE YEAR | (E = C + D) | 13,003.53 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | 19,757.60 |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR | (G = E + F) | 32,761.13 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 2,363.13 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 19,757.60 |
| 7.3 Add/(Less) : Equalisation | 506.11 | 3,146.08 |
| 7.4 Transfer from Reserve Fund | (3,807.95) | (19,957.54) |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 12,761.33 | (3,807.93) |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (600.40) | - |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 12,160.93 | (3,807.93) |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 23.5700 | 18.17 |
| Regular Plan - IDCW Option | 23.5700 | 18.17 |
| Direct Plan - Growth Option | 25.6000 | 19.52 |
| Direct Plan - IDCW Option | 25.6000 | 19.52 |
| High | | |
| Regular Plan - Growth Option | 26.0630 | 25.85 |
| Regular Plan - IDCW Option | 23.9828 | 25.85 |
| Direct Plan - Growth Option | 28.5231 | 28.02 |
| Direct Plan - IDCW Option | 26.1720 | 28.02 |
| Low | | |
| Regular Plan - Growth Option | 24.1188 | 17.49 |
| Regular Plan - IDCW Option | 22.1938 | 17.49 |
| Direct Plan - Growth Option | 26.4023 | 18.80 |
| Direct Plan - IDCW Option | 24.2260 | 18.80 |
| End | | |
| Regular Plan - Growth Option | 25.8810 | 23.57 |
| Regular Plan - IDCW Option | 23.8153 | 23.57 |
| Direct Plan - Growth Option | 28.4118 | 25.60 |
| Direct Plan - IDCW Option | 26.0699 | 25.60 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 151,282 | 137,895 |
| Average (AAuM) ¹ | 141,410 | 130,688 |
| 3. Gross income as % of AAuM ² | 13.29% | 11.93% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 2.20% | 2.22% |
| Direct Plan | 1.14% | 1.08% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.87% | 0.83% |
| Direct Plan | 0.86% | 0.81% |
| 5. Net Income as a percentage of AAuM ³ | 11.36% | 9.95% |
| 6. Portfolio turnover ratio ⁴ | 0.27 | 0.16 |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 2.00 | - |
| Direct Plan - IDCW Option | 2.25 | - |
| Corporate | | |
| Regular Plan - IDCW Option | 2.00 | - |
| Direct Plan - IDCW Option | 2.25 | - |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--------------------------------|---|--|
| 8. Returns %: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 11.70% | 29.72% |
| Direct Plan - Growth Option | 11.03% | 31.15% |
| Benchmark | | |
| Nifty Infrastructure TRI Index | 2.31% | 24.69% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 6.42% | 6.08% |
| Direct Plan - Growth Option | 14.57% | 15.65% |
| Benchmark | | |
| Nifty Infrastructure TRI Index | 2.09% | 2.08% |

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, 2023

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 on year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was as under -

(Rupees)

| Issuer | Instrument Type | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) |
|------------------------|-----------------|--------------|--|---------------|--|
| | | 2022-23 | | 2021-22 | |
| Larsen and Toubro Ltd. | Equity | - | - | 1,297,631,865 | 4,752,894,441 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 & March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentages to net assets are as under :

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|----------------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Equity Shares | | | | |
| - Appreciation | 4,726,835,896 | 31.25% | 4,983,244,216 | 36.14% |
| - Depreciation | 274,897,368 | 1.82% | 294,992,612 | 2.14% |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 3,994,292,941 and Rs. 5,527,044,200 respectively being 28.25% and 39.09% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 2,147,020,791 and Rs. 4,120,751,221 respectively being 16.43% and 31.53% of the average net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments was NIL.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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

During the year 2022-23, 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 2021-22, 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/ Investment Manager and its associates/ related parties/ group companies | Nature of Association /Nature of relation | Period Covered | Business Given [Rs. In Crores] | % of Total Business given by the Fund | Commission paid [Rs.] | % of Total Commission paid by the Fund |
|--|---|----------------|--------------------------------|---------------------------------------|-----------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 20.23 | 7.61 | 1,048,271 | 1.00 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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 | 2022-2023 | 16.16 | 1.70 | 194,396 | 1.83 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | Nil | | | |

3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.

4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|--------------------------------|-----------------|----------------|----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 406,223,384.888 | 69,373,296.636 | 74,267,783.492 | 401,328,898.032 | 10 |
| Regular Plan - IDCW Option | 28,517,660.502 | 18,230,119.658 | 6,534,303.171 | 40,213,476.989 | 10 |
| Direct Plan - Growth Option ** | 129,049,831.620 | 17,509,904.301 | 17,609,926.819 | 128,949,809.102 | 10 |
| Direct Plan - IDCW Option | 9,351,594.252 | 378,139.924 | 6,086,494.588 | 3,643,239.588 | 10 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| | 2021-22 | | | | |
|-------------------------------|-----------------|----------------|-----------------|-----------------|----|
| Regular Plan - Growth Option | 509,272,691.332 | 59,044,068.198 | 162,093,374.642 | 406,223,384.888 | 10 |
| Regular Plan - IDCW Option | 39,936,887.079 | 1,101,371.306 | 12,520,597.883 | 28,517,660.502 | 10 |
| Direct Plan - Growth Option** | 112,233,890.676 | 55,267,945.977 | 38,452,005.033 | 129,049,831.620 | 10 |
| Direct Plan - IDCW Option | 5,622,222.430 | 5,620,630.084 | 1,891,258.262 | 9,351,594.252 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 997,989.865 & as on March 31, 2022 is 694,601.198

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year/period ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 1,589,252/- represents Exit load credited to the scheme. (2022: Rs. 2,989,621/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF3/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Infrastructure Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Small Cap Fund **(Erstwhile L&T Emerging Businesses Fund)**

An open ended equity scheme predominantly investing in small cap stocks

Abridged Annual Report 2022 - 2023

 **HSBC** Mutual Fund

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

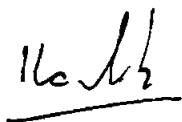
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Small Cap Fund (Erstwhile L&T Emerging Businesses Fund) (HSCF)

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

The investment objective of the scheme is 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 HSCF amounted to INR 8718.44 crores as at March 31, 2023 as against INR 7996.33 crores as at March 31, 2022. Around 97.61% of the net assets were invested in equities, 2.57% of the net assets were invested in reverse repos/TREPS and (-0.18%) in net current assets as at March 31, 2023.

The aim of HSCF is to deliver long-term capital growth from an actively managed portfolio, primarily comprising of small cap stocks. HSCF aims to predominantly be invested in small cap equity and equity related securities and may also invest in equity and equity related securities of other than small cap companies. However, it could move a portion of its assets towards fixed income securities if the fund manager becomes cautious or negative on equity markets.

The Scheme aims to be predominantly invested in small cap equity and equity related securities and may also invest in equity and equity related securities of other than small cap companies. A top down and bottom up approach will be used to invest in equity and equity related instruments. Investments will be pursued in select sectors based on the Investment Team's analysis of business cycles, regulatory reforms, competitive advantage etc. Selective stock picking will be done from these sectors. The fund manager in selecting scrips will focus on the fundamentals of the business, the industry structure, the quality of management, corporate governance trends, sensitivity to economic factors, the financial strength of the company and the key earnings drivers.

HSCF as it exists today is an amalgamation of two funds the L&T Emerging Businesses Fund and the erstwhile HSCF. The merger of the schemes happened end of November with the erstwhile HSBC Small cap fund merging into the L&T Emerging Business Fund and the new scheme renamed as HSBC Small Cap Fund. Hence the attribution is done for the period between 28th November 2022 and 31st March 2023.

During this period the benchmark fell by about 8.8%, largely driven by global factors. The fear of more interest rate hikes in the US and its impact on the US financial system played an adverse role on lowering risk appetite. This was supplemented by profit booking in the Indian market which had seen a good run. HSCF has outperformed its benchmark index across all periods. Most of the alpha was generated through better stock selection. Large contribution came from industrials followed by Information Technology and Financials. As of March 31st, HSCF has outperformed its benchmark over 1 year, 3 year and 5 year periods.

The scheme's focus is clearly on companies that are scaling up well and are likely to become significantly larger players in the years to come. In most sectors, profit pool is consolidating with the dominant players of that industry and that trend is likely to continue. So within small cap space also, the focus will be on companies that are leaders or strong challengers in their respective sub segment. HSCF continues to focus on these strong companies that are capturing market share and are available at reasonable valuations. The HSCF is currently overweight in Industrials, Cap goods, Construction, Auto ancillaries, Consumer Discretionary, Chemicals, Textiles, Cement, etc. while being underweight in Financials, IT, Pharmaceuticals and Consumer non-durables sectors.



| HSBC Small Cap Fund | | Date of Inception : 12 May, 2014 | | | | | | |
|--|---------------|----------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Small Cap Fund | 10,438 | 4.38 | 31,084 | 45.94 | 17,457 | 11.76 | 44,416 | 18.26 |
| Scheme Benchmark (Nifty Smallcap 250 TRI) | 9,397 | -6.03 | 28,157 | 41.21 | 14,738 | 8.05 | 32,915 | 14.34 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 27,630 | 12.11 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. 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, 2023 (Contd...)

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---------------------|---|---|
| HSBC Small Cap Fund |  <p>RISKOMETER</p> <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: S&P BSE 250 Small Cap Index TRI</p>  <p>RISKOMETER</p> |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DILs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DILs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DILs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit

Trustees' Report

For the year ended March 31, 2023 (Contd...)

of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---------------------|--------------------|--------------|----------------------|---------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Small Cap Fund | 1,383 | 5,238,277.81 | 565 | 12,053,410.97 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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, 2023 (Contd...)

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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, 2023 (Contd...)

11. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/MD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Small Cap Fund | Very High | Very High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The Trustees look forward to the continued support of everyone.

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

Sd/-

Trustee

Mumbai

July 11, 2023

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|-------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|-------------------------------|
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Small Cap Fund (Erstwhile known as L&T Emerging Businesses Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Small Cap Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report (Contd...)

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated २२२July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYD4035

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 176,119.15 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 116,860.25 |
| 2.2 | Unrealised Appreciation Reserve | 326,626.98 |
| 2.3 | Other Reserves | 179,940.42 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 7,625.12 |
| | TOTAL | 807,171.92 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 787,562.41 |
| 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 | 787,562.41 |
| 2 | Deposits | 3,036.60 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 151.17 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 14,970.47 |
| 3.3 | Others | 1,451.27 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 807,171.92 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 5,699.22 | 4,982.86 |
| 1.2 Interest | 1,040.40 | 299.16 |
| 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 | 50,896.74 | 80,653.42 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 126.90 | 200.12 |
| (A) | 57,763.26 | 86,135.56 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 4,700.30 | 4,298.60 |
| 2.2 GST on Management Fees | 846.05 | 773.75 |
| 2.3 Transfer Agents Fees and Expenses | 585.14 | 497.27 |
| 2.4 Custodian Fees | 18.30 | 25.53 |
| 2.5 Trusteeship Fees | 5.12 | 4.97 |
| 2.6 Commission to Agents | 6,558.01 | 5,935.77 |
| 2.7 Marketing & Distribution Expenses | 6.21 | 2.24 |
| 2.8 Audit Fees | 9.79 | 8.50 |
| 2.9 Investor Education Expenses | 165.43 | 147.10 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 144.75 | 121.08 |
| (B) | 13,039.10 | 11,814.81 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) | 44,724.16 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) | 44,724.16 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | (3,619.21) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) | 41,104.95 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 3,619.21 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | (200, 711.86) |
| 7.3 Add/(Less) : Equalisation | 9,316.73 | (8,595.74) |
| 7.4 Transfer from Reserve Fund | 179,940.42 | 115,224.58 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 233,981.31 | 180,949.59 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (1,127.57) | (1009.19) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 232,853.74 | 179,940.40 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 45.1340 | 30.235 |
| Regular Plan - IDCW Option | 31.1980 | 21.955 |
| Direct Plan - Growth Option | 48.4690 | 32.122 |
| Direct Plan - IDCW Option | 33.9880 | 23.714 |
| High | | |
| Regular Plan - Growth Option | 48.9466 | 49.634 |
| Regular Plan - IDCW Option | 31.9005 | 34.309 |
| Direct Plan - Growth Option | 52.9476 | 53.188 |
| Direct Plan - IDCW Option | 35.0350 | 37.296 |
| Low | | |
| Regular Plan - Growth Option | 44.8950 | 30.093 |
| Regular Plan - IDCW Option | 29.2599 | 21.852 |
| Direct Plan - Growth Option | 48.5903 | 31.976 |
| Direct Plan - IDCW Option | 32.1518 | 23.606 |
| End | | |
| Regular Plan - Growth Option | 47.2773 | 45.134 |
| Regular Plan IDCW Option | 30.8125 | 31.198 |
| Direct Plan - Growth Option | 51.3139 | 48.469 |
| Direct Plan - IDCW Option | 33.9540 | 33.988 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 871,844 | 799,544 |
| Average (AAuM) ¹ | 827,115 | 735,475 |
| 3. Gross income as % of AAuM ² | 0.07% | 0.12% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.84% | 1.87% |
| Direct Plan | 0.78% | 0.79% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.57% | 0.59% |
| Direct Plan | 0.56% | 0.58% |
| 5. Net Income as a percentage of AAuM ³ | 0.05 | 0.10 |
| 6. Portfolio turnover ratio ⁴ | 0.14 | 0.16 |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 1.85 | 1.50 |
| Direct Plan - IDCW Option | 2.00 | 1.70 |
| Corporate | | |
| Regular Plan - IDCW Option | 1.85 | 1.50 |
| Direct Plan - IDCW Option | 2.00 | 1.70 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 4.38% | 49.28% |
| Direct Plan - Growth Option | 5.69% | 50.89% |
| Benchmark | | |
| Nifty Smallcap 250 TRI | -6.03% | 34.29% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 18.26% | 21.05% |
| Direct Plan - Growth Option | 19.19% | 22.14% |
| Benchmark | | |
| Nifty Smallcap 250 TRI | 14.34% | 15.77% |

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, 2023

1 Investments:

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 are Nil.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was NIL.
- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|-----------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Equity Shares | | | | |
| - Appreciation | 34,572,141,100 | 39.65% | 34,539,282,279 | 43.20% |
| - Depreciation | 2,271,364,653 | 2.61% | 1,876,584,563 | 2.35% |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 12,480,909,642 and Rs. 13,663,017,015 respectively being 15.09% and 16.52% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 11,714,760,727 and Rs. 18,666,766,540 respectively being 15.93% and 25.38% of the average 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 2022-23, 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 2021-22, 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 | Group Company | 2022-2023 | 110.65 | 7.43 | 9,753,406 | 1.60 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | 2022-2023 | | Nil | | |
| HSBC Securities & Capital Markets (India) Private Limited | Sponsor | 2021-2022 | | Nil | | |

- 3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022.

| Description | 2022-23 | | | | |
|-------------------------------|-------------------|-----------------|-----------------|-------------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 1,294,303,817.515 | 232,242,010.390 | 175,549,268.308 | 1,350,996,559.597 | 10 |
| Regular Plan - IDCW Option | 47,382,515.326 | 15,058,699.588 | 7,895,212.018 | 54,546,002.896 | 10 |
| Direct Plan - Growth Option** | 400,576,253.165 | 70,178,245.276 | 59,247,809.529 | 411,506,688.912 | 10 |
| Direct Plan - IDCW Option | 18,928,927.976 | 2,005,304.457 | 6,521,285.361 | 14,412,947.072 | 10 |
| 2021-22 | | | | | |
| Regular Plan - Growth Option | 1,408,105,028.972 | 201,923,115.546 | 315,724,327.003 | 1,294,303,817.515 | 10 |
| Regular Plan - IDCW Option | 65,714,707.585 | 5,048,506.757 | 23,380,699.016 | 47,382,515.326 | 10 |
| Direct Plan - Growth Option** | 413,039,266.688 | 82,345,017.202 | 94,808,030.725 | 400,576,253.165 | 10 |
| Direct Plan - IDCW Option | 17,209,081.609 | 6,374,221.661 | 4,654,375.294 | 18,928,927.976 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 2,230,481.038 & as on March 31, 2022 is 332,358.415.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than management fee & audit fee are inclusive of GST wherever applicable.
- 8 Other income of Rs. 12,689,893/- represents Exit load credited to the scheme. (2022: Rs. 20,012,347/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)

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, 2023. 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, 2023

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Small Cap Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Large and Mid Cap Fund (Erstwhile HSBC Large & 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 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway,
Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway,
Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex,
Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony,
Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

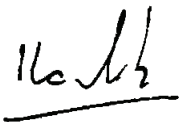
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ("Fund") presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Large and Mid Cap Fund (Erstwhile HSBC Large & Mid Cap Equity Fund) (HLMF) (Large & Mid Cap Fund – An open ended equity scheme investing in both large cap and mid cap stocks)

The investment objective of the scheme is to seek 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HLMF amounted to INR 1978.14 crores as at March 31, 2023 as against INR 505.83 crores as at March 31, 2022. Around 98.49% of the net assets were invested in equities, 1.88% of the net assets were invested in reverse repos/TREPS and (-0.37%) in net current assets as at March 31, 2023.

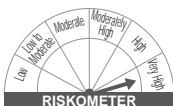
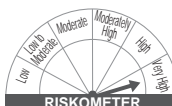
HLMF endeavors to provide long-term capital growth from an actively managed portfolio, comprising primarily large cap and mid cap stocks. HLMF aims to predominantly be invested in equity and equity related securities. HLMF will endeavor to achieve this by maintaining a minimum of 80% allocation to equity and equity related securities out of which allocation of at least 35% each will be towards large cap stocks and mid cap stocks. HLMF will allocate the balance portion primarily towards all cap equity. Investment could also be made towards fixed income securities including money market instruments.

| HSBC Large and Mid Cap Fund | | | | Date of Inception : 28 March, 2019 | | | | |
|--|---------------|----------------|---------------|------------------------------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Large and Mid Cap Fund | 9,915 | -0.85 | 19,650 | 25.25 | NA | NA | 15,093 | 10.81 |
| Scheme Benchmark (NIFTY Large Midcap 250 TRI) | 10,062 | 0.62 | 22,991 | 31.98 | NA | NA | 16,801 | 13.81 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | NA | NA | 15,721 | 11.94 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-----------------------------|--|---|
| HSBC Large and Mid Cap Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY Large Midcap 250 TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

Trustees' Report

For the year ended March 31, 2023 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

Trustees' Report

For the year ended March 31, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---------------------------|--------------------|---------------|----------------------|---------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Large & Mid Cap Fund | 28,278 | 22,720,139.66 | 414 | 15,033,168.72 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------------|---|---|--|
| HSBC Large & Mid Cap Fund | Very High | Very High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Large & Mid Cap Fund (Erstwhile known as HSBC Large And Mid Cap Equity Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Large & Mid Cap Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of

Independent Auditors' Report (Contd...)

adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYR7905

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 32,094.64 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (6,383.62) |
| 2.2 | Unrealised Appreciation Reserve | 17,076.30 |
| 2.3 | Other Reserves | 7,799.28 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 361.32 |
| | TOTAL | 50,947.92 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 49,838.60 |
| 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 | 49,838.60 |
| 2 | Deposits | 7.00 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 61.71 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 580.87 |
| 3.3 | Others | 459.74 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 50,947.92 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 663.98 | 378.73 |
| 1.2 Interest | 104.99 | 22.74 |
| 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 | 6,054.07 | 8,236.28 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 8.77 | 13.77 |
| (A) | 6,831.81 | 8,651.52 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 829.79 | 466.07 |
| 2.2 GST on Management Fees | 149.36 | 83.89 |
| 2.3 Transfer Agents Fees and Expenses | 78.45 | 53.55 |
| 2.4 Custodian Fees | 1.63 | 6.38 |
| 2.5 Trusteeship Fees | 2.35 | 2.40 |
| 2.6 Commission to Agents | 1,117.73 | 638.22 |
| 2.7 Marketing & Distribution Expenses | 2.55 | 0.16 |
| 2.8 Audit Fees | 1.21 | 1.06 |
| 2.9 Investor Education Expenses | 20.46 | 10.37 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 24.90 | 11.34 |
| (B) | 2,228.43 | 1,273.44 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) | 4,603.38 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) | 4,603.38 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | (11,861.04) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) | (7,257.66) |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 11,861.04 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 2,711.96 |
| 7.3 Add/(Less) : Equalisation | 37,788.71 | (727.22) |
| 7.4 Transfer from Reserve Fund | 7,799.28 | 1,148.43 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 50,191.37 | 7,799.29 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (1,477.70) | - |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 48,713.67 | 7,799.29 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 15.7460 | 13.0251 |
| Regular Plan - IDCW Option | 15.7460 | 13.0251 |
| Direct Plan - Growth Option | 16.5525 | 13.4616 |
| Direct Plan - IDCW Option | 16.5249 | 13.4483 |
| High | | |
| Regular Plan - Growth Option | 16.2086 | 17.0648 |
| Regular Plan - IDCW Option | 16.2086 | 17.0648 |
| Direct Plan - Growth Option | 17.2240 | 17.8771 |
| Direct Plan - IDCW Option | 17.1892 | 17.8496 |
| Low | | |
| Regular Plan - Growth Option | 13.3229 | 12.5853 |
| Regular Plan - IDCW Option | 13.3229 | 12.5853 |
| Direct Plan - Growth Option | 14.0573 | 13.0144 |
| Direct Plan - IDCW Option | 14.0321 | 13.0011 |
| End | | |
| Regular Plan - Growth Option | 15.3432 | 15.7460 |
| Regular Plan - IDCW Option | 14.0084 | 15.7460 |
| Direct Plan - Growth Option | 16.3733 | 16.5525 |
| Direct Plan - IDCW Option | 15.0053 | 16.5249 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 197,815 | 50,583 |
| Average (AAuM) ¹ | 102,317 | 51,866 |
| 3. Gross income as % of AAuM ² | 6.68% | 16.68% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST tax on Management fees) (plan wise) | | |
| Regular Plan | 2.24% | 2.48% |
| Direct Plan | 0.95% | 0.79% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.82% | 0.90% |
| Direct Plan | 0.72% | 0.53% |
| 5. Net Income as a percentage of AAuM ³ | 4.50% | 14.23% |
| 6. Portfolio turnover ratio ⁴ | 0.68 | 0.39 |
| 7. Total Dividend per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 1.30 | - |
| Direct Plan - IDCW Option | 1.30 | - |
| Corporate | | |
| Regular Plan - IDCW Option | 1.30 | - |
| Direct Plan - IDCW Option | 1.30 | - |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | -0.85% | 20.89% |
| Direct Plan - Growth Option | 0.68% | 22.96% |
| Benchmark | | |
| NIFTY LargeMidcap 250 TRI | 0.62% | 22.90% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 10.81% | 16.27% |
| Direct Plan - Growth Option | 11.57% | 18.22% |
| Benchmark | | |
| NIFTY LargeMidcap 250 TRI | 13.81% | 18.56% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year March 31, 2023 and March 31, 2022 and percentage to net assets are as under :

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|----------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Equity Shares | | | | |
| - Appreciation | 1,124,010,262 | 5.68 | 1,734,679,384 | 34.29 |
| - Depreciation | 602,483,992 | 3.05 | 27,049,520 | 0.53 |

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022 - 2023 (excluding accretion of discount) is Rs. 7,002,384,809 and Rs. 7,752,051,432 respectively being 68.44% and 75.77% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021 - 2022 (excluding accretion of discount) is Rs. 2,046,984,705 and Rs. 2,983,428,196 respectively being 39.47% and 57.52% of the average net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets as on March 31, 2023 & March 31, 2022 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 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | 43.80 | 2.31 | 25,256,218 | 14.16 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 31.86 | 39.58 | 31,426,565 | 48.98 |

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 | 2022-2023 | 46.06 | 3.12 | 519,329 | 3.31 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | 1.56 | 0.31 | 18,664 | 0.32 |

- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | |
|-------------------------------|-----------------|-----------------|----------------|-------------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 303,329,855.206 | 896,655,274.665 | 95,028,750.901 | 1,104,956,378.970 | 10 |
| Regular Plan - IDCW Option | 11,350,669.232 | 108,013,820.814 | 6,597,153.907 | 112,767,336.139 | 10 |
| Direct Plan - Growth Option** | 5,747,721.917 | 74,959,754.858 | 8,782,963.740 | 71,924,513.035 | 10 |
| Direct Plan - IDCW Option | 518,129.445 | 4,033,898.442 | 633,139.676 | 3,918,888.211 | 10 |

| Description | 2021-2022 | | | | |
|------------------------------|-----------------|----------------|----------------|-----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 349,541,931.880 | 46,778,027.733 | 92,990,104.407 | 303,329,855.206 | 10 |

Notes to Accounts – Annexure I (Contd..)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| Description | 2021-2022 | | | | |
|-------------------------------|----------------|---------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - IDCW Option | 19,588,496.672 | 468,430.553 | 8,706,257.993 | 11,350,669.232 | 10 |
| Direct Plan - Growth Option** | 4,473,175.222 | 1,696,402.358 | 421,855.663 | 5,747,721.917 | 10 |
| Direct Plan - IDCW Option | 313,270.803 | 274,824.477 | 69,965.835 | 518,129.445 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 1,642,718.976 & as on March 31, 2022 is 500,000.000

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 876,831/- represents Exit load credited to the scheme. (2022: Rs. 13,77,473/- represents Exit load credited to the scheme, Fund transfer from focused fund to HSBC Large And Mid Cap Fund, short funding in switch a/c)

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016. The IEA disclosure's are presented for surviving schemes only.

10 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|----------------------------|---|---|--|
| HSBC Large and Midcap Fund | Very High | Very High | 0 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

- 11 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 12 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 13 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Mid Cap Fund (Erstwhile L&T Midcap Fund)

Mid Cap Fund – An open ended equity scheme predominantly investing in mid cap stocks.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

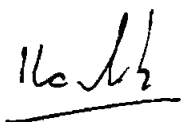
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Mid Cap Fund (HMCF)

(Mid Cap Fund – An open ended equity scheme predominantly investing in mid cap stocks)

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

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For the year ended March 31, 2023 (Contd...)

The net assets of HMCF amounted to INR 6899.35 crores as at March 31, 2023 as against INR 1165.73 crores as at March 31, 2022. Around 94% of the net assets were invested in equities, 6.26% of the net assets were invested in reverse repos/TREPS and (-0.26%) in net current assets as at March 31, 2023.

The aim of HMCF is to seek long-term capital growth from an actively managed portfolio comprising of predominantly midcap companies. HMCF aims to predominantly invest in equity and equity related securities. HMCF endeavors to achieve this by maintaining a minimum of 65% allocation to equity and equity related securities of midcap companies. Investment could also be made towards fixed income securities including money market instruments.

HMCF is overweight in categories such as Healthcare, Staples & Materials and underweight in sectors like banks, chemicals & capital goods. HMCF is positioned favorably with long term compounders with primarily three attributes. First, they operate with some kind of a moat or entry barrier. This can be a brand, network effects, economies of scale or distribution. Many companies have a combination of moats. Second, the companies have ability of significant scale up. Third, they are available at a reasonable price. Many of these companies might seem expensive on a PE basis, however because of the longevity of cash flows and steady compounding capabilities, the fund manager believes that the valuations are justified.



HMCF lagged its benchmark index over the 1-year period as the portfolio had a low beta and was overweight in categories like Pharma, which underperformed. However, we are confident of the earnings resilience of the holdings and earnings growth is expected to be robust going forward.

| HSBC Mid cap Fund | | Date of Inception : 9 August, 2004 | | | | | | |
|---|---------------|------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Mid cap Fund | 9,898 | -1.02 | 20,405 | 26.84 | 14,464 | 7.64 | 201,033 | 17.46 |
| Scheme Benchmark (Nifty Midcap 150 TRI) | 10,277 | 2.77 | 25,903 | 37.34 | 17,992 | 12.44 | NA | NA |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 133,647 | 14.91 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-------------------|--|---|
| HSBC Mid Cap Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: S&P BSE 150 MidCap TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to

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For the year ended March 31, 2023 (Contd...)

monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322.

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For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Midcap Fund | 1,486 | 5,129,533.39 | 424 | 9,007,033.11 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 | |
| IA | Non receipt of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| IB | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for

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For the year ended March 31, 2023 (Contd...)

engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|------------------|---|---|--|
| HSBC Midcap Fund | Very High | Very High | 0 |

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For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | <p>Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.</p> | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | <p>Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.</p> | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | <p>Principle 3: Institutional investors should monitor their investee companies.</p> | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | <p>Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.</p> | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

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For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Midcap Fund (Erstwhile known as L&T Midcap Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Midcap Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and

Independent Auditors' Report (Contd...)

detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXW9067

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 | |
|--------------------|---|-------------------------|-------------------|
| LIABILITIES | | | |
| 1 | Unit Capital | 35,300.89 | 34,276.19 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | 122,908.30 | 108,907.91 |
| 2.2 | Unrealised Appreciation Reserve | 154,446.91 | 214,624.07 |
| 2.3 | Other Reserves | 376,906.48 | 302,747.81 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income/Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 2,637.65 | 2,232.40 |
| | TOTAL | 692,200.23 | 662,788.38 |
| ASSETS | | | |
| 1 | Investments | | |
| 1.1 | Listed Securities: | | |
| 1.1.1 | Equity Shares | 648,334.79 | 634,129.92 |
| 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 | 648,334.79 | 634,129.92 |
| 2 | Deposits | 272.38 | 249.98 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 153.68 | 67.10 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 43,190.90 | 26,791.03 |
| 3.3 | Others | 248.48 | 1,550.33 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| | TOTAL | 692,200.23 | 662,788.38 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous period ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 8,031.08 | 6,702.43 |
| 1.2 Interest | 2,107.42 | 676.53 |
| 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 | 58,727.87 | 116,389.90 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 76.66 | 164.99 |
| (A) | 68,943.03 | 123,933.85 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 3,527.42 | 3,525.34 |
| 2.2 GST on Management Fees | 634.94 | 634.56 |
| 2.3 Transfer Agents Fees and Expenses | 522.53 | 518.54 |
| 2.4 Custodian Fees | 14.48 | 22.65 |
| 2.5 Trusteeship Fees | 4.60 | 4.71 |
| 2.6 Commission to Agents | 5,905.25 | 5,894.63 |
| 2.7 Marketing & Distribution Expenses | 7.49 | 1.99 |
| 2.8 Audit Fees | 7.95 | 7.79 |
| 2.9 Investor Education Expenses | 134.32 | 134.81 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 103.84 | 117.25 |
| (B) | 10,862.82 | 10,862.27 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B) | 58,080.21 | 113,071.58 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | - |
| 5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D) | 58,080.21 | 113,071.58 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | (12,100.41) |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F) | (2,096.95) | 100,971.17 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 60,177.16 | 12,100.41 |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 Add/(Less) : Equalisation | 17,037.62 | (28,355.93) |
| 7.4 Transfer from Reserve Fund | 302,747.81 | 219,145.52 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 377,865.64 | 303,861.17 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (959.16) | (1,113.37) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 376,906.48 | 302,747.80 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous period ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 202.9700 | 175.260 |
| Regular Plan - IDCW Option | 53.2000 | 49.020 |
| Direct Plan - Growth Option | 221.3800 | 188.970 |
| Direct Plan - IDCW Option | 58.1900 | 52.970 |
| High | | |
| Regular Plan - Growth Option | 214.4890 | 221.330 |
| Regular Plan - IDCW Option | 54.7800 | 58.010 |
| Direct Plan - Growth Option | 235.7037 | 240.180 |
| Direct Plan - IDCW Option | 59.9400 | 63.140 |
| Low | | |
| Regular Plan - Growth Option | 177.0400 | 172.430 |
| Regular Plan - IDCW Option | 46.4000 | 48.230 |
| Direct Plan - Growth Option | 193.5700 | 185.990 |
| Direct Plan - IDCW Option | 50.8800 | 52.130 |
| End | | |
| Regular Plan - Growth Option | 202.3844 | 202.970 |
| Regular Plan - IDCW Option | 49.3769 | 53.200 |
| Direct Plan - Growth Option | 223.2033 | 221.380 |
| Direct Plan - IDCW Option | 54.4886 | 58.190 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 689,935 | 660,554 |
| Average (AAuM) ¹ | 671,596 | 673,997 |
| 3. Gross income as % of AAuM ² | 10.27% | 18.39% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.85% | 1.86% |
| Direct Plan | 0.74% | 0.72% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.53% | 0.53% |
| Direct Plan | 0.53% | 0.51% |
| 5. Net Income as a percentage of AAuM ³ | 8.65% | 16.78% |
| 6. Portfolio turnover ratio ⁴ | 0.18 | 0.21 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous period ended March 31, 2022 |
|--|---|--|
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 3.75 | 3.50 |
| Direct Plan - IDCW Option | 4.25 | 3.75 |
| Corporate | | |
| Regular Plan - IDCW Option | 3.75 | 3.50 |
| Direct Plan - IDCW Option | 4.25 | 3.75 |
| 8. Returns %: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | -1.02% | 15.81% |
| Direct Plan - Growth Option | 0.78% | 17.15% |
| Benchmark | | |
| Nifty Midcap 150 TRI | 2.77% | 24.99% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 17.46% | 18.60% |
| Direct Plan - Growth Option | 17.46% | 19.42% |
| Benchmark | | |
| Nifty Midcap 150 TRI | \$ NA | \$ NA |

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 launch date of the Nifty Midcap 150 TRI is April 1, 2005 whereas the inception date of the scheme is August 9, 2004. The corresponding benchmark returns since inception of the scheme not available. (Methodology Document for Equity Indices (niftyindices.com))

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

1 Investments:

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 are Nil.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was NIL.
- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under :

(Rupees)

| Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|----------------------|----------------|--------------------------|----------------|--------------------------|
| | 2023 | | 2022 | |
| Equity Shares | | | | |
| - Appreciation | 17,689,976,444 | 25.64% | 23,120,017,170 | 35.00% |
| - Depreciation | 2,245,285,312 | 3.25% | 1,657,610,377 | 2.51% |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 12,610,531,661 and Rs. 21,139,341,413 respectively being 18.78% and 31.48% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 13,843,457,579 and Rs. 22,522,144,761 respectively being 20.54% and 33.42% of the average 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 2022-23, 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 2021-22, 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 | Group Company | 2022-2023 | 842.53 | 43.88 | 68,506,008 | 11.21 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

| 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 | Group Company | 2021-2022 | | | Nil | |

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 | 2022-2023 | | | Nil | |
| HSBC Securities & Capital Markets (India) Private Limited | Sponsor | 2021-2022 | | | Nil | |

- 3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|-----------------------------|-----------------|----------------|----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 247,767,885.092 | 79,827,426.687 | 58,525,740.562 | 269,069,571.217 | 10 |
| Regular Plan IDCW | 23,797,578.964 | 4,395,450.314 | 7,060,032.225 | 21,132,997.053 | 10 |
| Direct Plan Growth Option** | 63,459,657.845 | 8,758,451.842 | 12,738,036.563 | 59,480,073.124 | 10 |
| Direct Plan IDCW | 7,736,747.044 | 340,275.755 | 4,750,752.455 | 3,326,270.344 | 10 |
| | 2021-22 | | | | |
| Regular Plan Growth Option | 278,481,385.509 | 39,385,341.452 | 70,098,841.869 | 247,767,885.092 | 10 |
| Regular Plan IDCW | 32,774,617.874 | 3,240,970.110 | 12,218,009.020 | 23,797,578.964 | 10 |
| Direct Plan Growth Option** | 71,947,271.287 | 10,812,000.317 | 19,299,613.759 | 63,459,657.845 | 10 |
| Direct Plan IDCW | 4,804,653.428 | 4,601,002.024 | 1,668,908.408 | 7,736,747.044 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 431,147.746 & as on March 31, 2022 is 58,207.218.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.
- 7 Expenses other than management fee & audit fee are inclusive of GST wherever applicable.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

- 8 Other income of Rs. 7,666,421/- represents Exit load credited to the scheme. (2022: Rs. 16,498,560/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|------------------|---|---|--|
| HSBC Midcap Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Focused Fund **(Erstwhile HSBC Focused Equity Fund)**

Focused Fund – An open ended equity scheme investing in maximum 30 stocks across market caps (i.e. Multi-Cap).

Abridged Annual Report 2022 - 2023

 **HSBC** Mutual Fund

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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 intrinsic because we fear losses more than we value gains. Such an irrational conservatism entails huge opportunity cost due to potential investment gains foregone.

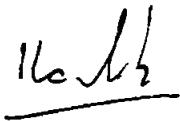
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Focused Fund (Erstwhile HSBC Focused Equity Fund) (HFF)

(Focused Fund – An open ended equity scheme investing in maximum 30 stocks across market caps (i.e. Multi-Cap))

The investment objective of the scheme is to seek long term capital growth through investments in a concentrated portfolio of equity & equity related instruments of up to 30 companies across market capitalization. However, there is no assurance that the investment objective of the Scheme will be achieved.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of the HFF amounted to INR 1314.09 crores as at March 31, 2023 as against INR 553.14 crores as at March 31, 2022. Around 96.46% of the net assets were invested in equities, 3.77% of the net assets were invested in reverse repos/TREPS and (-0.23%) in net current assets as at March 31, 2023.

The aim of the scheme is to seek growth and provide long-term capital growth from an actively managed portfolio comprising of upto 30 companies across market capitalization. HFF aims to predominantly invest in equity and equity related securities. HFF will endeavor to achieve this by maintaining a minimum of 65% allocation to equity and equity related securities. Investment could also be made towards fixed income securities including money market instruments.

HFF underperformed its benchmark since inception (2.5 years) and over 1-year as against its benchmark index. Stock selection in Healthcare, Industrials, Financials, and Materials had a positive impact however selection in Discretionary (especially ODMs) were detractors. From a sectoral perspective, underweight in Utilities and overweight in Discretionary and Industrials had a positive impact whereas underweight in staples had a negative impact on the performance.

On the portfolio construction front HFF continues to run a high conviction portfolio, with a cyclical tilt to be well positioned for the earnings growth and macro recovery cycle holding a medium to long term view. The Fund Manager remains focused on the fundamentals of the companies and their earnings growth trajectory and prefer dominant businesses with scalability and available at reasonable valuations. Portfolio construction is through bottom-up stock selection and there is an emphasis on companies delivering earnings surprises.



As on 31st March 2023, the portfolio was overweight on Real Estate and Healthcare. The portfolio was underweight on Materials and Utilities. Equal weight sectors were Financials, Energy, Communication Services, Consumer Staples, Technology, Consumer Discretionary, and Industrials.

| HSBC Focused Fund | | Date of Inception : 22 July, 2020 | | | | | | | |
|--|---------------|-----------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Focused Fund | 9,644 | -3.56 | NA | NA | NA | NA | 14,607 | 15.12 | |
| Scheme Benchmark (Nifty 500 TRI) | 9,878 | -1.22 | NA | NA | NA | NA | 16,543 | 20.58 | |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | NA | NA | NA | NA | 16,070 | 19.28 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-------------------|--|---|
| HSBC Focused Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY 500 TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their

Trustees' Report

For the year ended March 31, 2023 (Contd...)

schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|-------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Focused Fund | 5 | 4,792.96 | 32 | 1,349,755.41 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 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 | 3 | 3 | 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under

Trustees' Report

For the year ended March 31, 2023 (Contd...)

the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|-------------------|---|---|--|
| HSBC Focused Fund | Very High | Very High | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code /Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Focused Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Focused Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of

Independent Auditors' Report (Contd...)

adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale
Partner
Membership No: 117812
UDIN: 23117812BGXQYP8556

Place : Mumbai
Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 34,786.69 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (5,326.15) |
| 2.2 | Unrealised Appreciation Reserve | 16,228.74 |
| 2.3 | Other Reserves | 9,678.83 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 222.07 |
| | TOTAL | 131,815.21 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 54,999.61 |
| 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 | 126,780.52 |
| 2 | Deposits | 8.00 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 8.60 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 568.85 |
| 3.3 | Others | 5.12 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 131,815.21 |

Notes to Accounts – Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 780.13 | 404.32 |
| 1.2 Interest | 118.66 | 31.21 |
| 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 | 2,199.77 | 10,306.13 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 18.39 | 28.85 |
| | (A) 3,116.95 | 10,770.51 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 658.28 | 569.81 |
| 2.2 GST on Management Fees | 118.49 | 102.57 |
| 2.3 Transfer Agents Fees and Expenses | 65.62 | 61.56 |
| 2.4 Custodian Fees | 1.79 | 7.32 |
| 2.5 Trusteeship Fees | 2.37 | 2.77 |
| 2.6 Commission to Agents | 978.24 | 669.44 |
| 2.7 Marketing & Distribution Expenses | 2.70 | 0.39 |
| 2.8 Audit Fees | 0.98 | 1.16 |
| 2.9 Investor Education Expenses | 16.56 | 11.93 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 14.67 | 12.63 |
| | (B) 1,859.70 | 1,439.58 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B) | 1,257.25 | 9,330.93 |
| 4 Change in Unrealised Depreciation in Value of Investments (D) | - | - |
| 5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D) | 1,257.25 | 9,330.93 |
| 6 Change in Unrealised Appreciation in Value of Investments (F) | (8,113.76) | 2,599.67 |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F) | (6,856.51) | 11,930.60 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 8,113.76 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 2,599.67 |
| 7.3 Add/(Less) : Equalisation | 14,634.06 | (1,441.09) |
| 7.4 Transfer from Reserve Fund | 9,678.83 | 1,833.26 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 25,570.14 | 9,723.10 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (60.49) | (44.27) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 25,509.65 | 9,678.83 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 15.9147 | 13.1961 |
| Regular Plan - IDCW Option | 15.2018 | 13.1961 |
| Direct Plan - Growth Option | 16.3635 | 13.3476 |
| Direct Plan - IDCW Option | 15.6279 | 13.3476 |
| High | | |
| Regular Plan - Growth Option | 16.7491 | 17.2114 |
| Regular Plan - IDCW Option | 15.5779 | 16.4404 |
| Direct Plan - Growth Option | 17.4147 | 17.6367 |
| Direct Plan - IDCW Option | 16.0174 | 16.8450 |
| Low | | |
| Regular Plan - Growth Option | 13.4665 | 12.8324 |
| Regular Plan - IDCW Option | 12.8633 | 12.8324 |
| Direct Plan - Growth Option | 13.8953 | 12.9867 |
| Direct Plan - IDCW Option | 13.2697 | 12.9867 |
| End | | |
| Regular Plan - Growth Option | 15.4925 | 15.9147 |
| Regular Plan - IDCW Option | 13.7571 | 15.2018 |
| Direct Plan - Growth Option | 16.1739 | 16.3635 |
| Direct Plan - IDCW Option | 14.3516 | 15.6279 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 131,409 | 55,314 |
| Average (AAuM) ¹ | 82,792 | 59,634 |
| 3. Gross income as % of AAuM ² (Annualised) | 3.76% | 18.06% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST tax on Management fees) (plan wise) (Annualised) | | |
| Regular Plan | 2.31% | 2.46% |
| Direct Plan | 0.89% | 0.82% |
| b. Management Fee as % of AAuM (plan wise) (Annualised) | | |
| Regular Plan | 0.80% | 0.97% |
| Direct Plan | 0.66% | 0.56% |
| 5. Net Income as a percentage of AAuM ³ (Annualised) | 1.52% | 15.65% |
| 6. Portfolio turnover ratio ⁴ | 0.95 | 0.38 |
| 7. Total Dividend per unit distributed during the year/Period (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 2.00 | 0.65 |
| Direct Plan - IDCW Option | 2.08 | 0.66 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| Corporate | | |
| Regular Plan - IDCW Option | 2.00 | 0.65 |
| Direct Plan - IDCW Option | 2.08 | 0.66 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | -3.56% | 20.60% |
| Direct Plan - Growth Option | -2.44% | 22.60% |
| Benchmark | | |
| NIFTY 500 TRI | -1.22% | 22.29% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 15.12% | 31.64% |
| Direct Plan - Growth Option | 15.94% | 33.82% |
| Benchmark | | |
| NIFTY 500 TRI | 20.58% | 35.67% |

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, 2023

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 on year ended March 31, 2023 & period ended March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| | | Nil | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 & March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentages to net assets are as under :

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|----------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Equity Shares | | | | |
| - Appreciation | 1,058,323,827 | 8.05 | 1,722,219,305 | 31.14 |
| - Depreciation | 246,825,777 | 1.88 | 99,345,309 | 1.80 |

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2022 - 2023 (excluding accretion of discount) is Rs. 7,829,639,529 and Rs. 8,642,107,886 respectively being 94.57% and 104.38% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2021 - 2022 (excluding accretion of discount) is Rs. 2,243,553,376 and Rs. 3,755,531,503 respectively being 37.62% and 62.98% of the average net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets as on March 31, 2023 & March 31, 2022 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 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | 54.85 | 4.82 | 35,560,341 | 23.09 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 66.89 | 57.88 | 46,981,382 | 69.27 |

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

| Name of Sponsor / Investment Manager 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 & Capital Markets (India) Private Limited | Sponsor | 2022-2023 | 35.39 | 2.15 | 424,989 | 2.47 |
| HSBC Securities & Capital Markets (India) Private Limited | Sponsor | 2021-2022 | 35.39 | 2.15 | 424,989 | 2.47 |

- 3 None of the Investors held more than 25% of the total net assets of the scheme as at March 31, 2023 & March 31, 2022.
- 4 Unit Capital movement during the year/period ended March 31, 2023 & March 31, 2022:

| Description | 2022-2023 | | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 330,623,976.524 | 593,240,274.368 | 135,888,046.941 | 787,976,203.951 | 10 |
| Regular Plan - IDCW Option | 6,100,417.927 | 18,236,574.007 | 3,080,890.104 | 21,256,101.830 | 10 |
| Direct Plan - Growth Option** | 11,073,288.869 | 31,506,861.124 | 4,466,334.061 | 38,113,815.932 | 10 |
| Direct Plan - IDCW Option | 69,228.771 | 2,101,080.900 | 701,001.736 | 1,469,307.935 | 10 |

| Description | 2021-2022 | | | | |
|-----------------------------|-----------------|----------------|-----------------|-----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan -Growth Option | 419,567,430.785 | 68,108,966.817 | 157,052,421.078 | 330,623,976.524 | 10 |
| Regular Plan - IDCW Option | 7,152,247.120 | 1,119,171.022 | 2,171,000.215 | 6,100,417.927 | 10 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| Description | 2021-2022 | | | | |
|-------------------------------|----------------|---------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Direct Plan - Growth Option** | 10,710,685.208 | 2,843,280.858 | 2,480,677.197 | 11,073,288.869 | 10 |
| Direct Plan - IDCW Option | 69,441.871 | 31,789.358 | 32,002.458 | 69,228.771 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 1,223,768.305 & as on March 31, 2022 is 499,975.001

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 1,839,440/- represents Exit load credited to the scheme. (2022 :- Rs. 28,85,036/- represents Exit load credited to the scheme, Fund transfer from focused fund to HSBC Large And Mid Cap Fund, short funding in switch a/c.)
- 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

10 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|-------------------|---|---|--|
| HSBC Focused Fund | Very High | Very High | 0 |

- 11 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 12 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

- 13 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Business Cycles Fund **(Erstwhile L&T Business Cycles Fund)**

An open ended equity scheme following business cycles based investing theme.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Business Cycles Fund (Erstwhile L&T Business Cycles Fund) (HBCF)

(Theme based Fund - An open ended equity scheme following business cycles based investing theme.)

The investment objective of the scheme is to seek to generate long-term capital appreciation from a portfolio of predominantly equity and equity related securities, including equity derivatives, in the Indian market with focus on riding business cycles through dynamic allocation between various sectors and stocks at different

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For the year ended March 31, 2023 (Contd...)

stages of business cycles in the economy. The scheme could also additionally invest in Foreign Securities. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.

The net assets of HBCF stood at INR 542.17 crores as at March 31, 2023 as against INR 553.62 crores as at March 31, 2022. Around 95.5% of the net assets were invested in equities, 4.74% of the net assets were invested in reverse repos/TREPS and (-0.24%) in net current assets as at March 31, 2023.

The scheme being a thematic equity fund which invests predominantly in equity and equity related securities focuses on riding business cycles through dynamic allocation between cyclical and defensive sectors and stocks at different stages of business cycles in the economy.



HBCF has outperformed in 1 and 3-year period. HBCF is overweight in Industrial which has been the key driver for outperformance. Within Industrial, overweight in Capital Goods & EPC space has been the key driver of performance. Further underweight in IT, Energy and Financials also contributed positively towards the performance. Fund overweight stance on Materials also contributed positively in a 3-year period while it has been a marginal negative contributor in recent time. Underweight in IT and select stocks in Industrial and Real Estate were negative contributor in 5-year period and since inception.

HBCF is currently overweight in Industrial, Materials, Consumer Discretionary & Real Estate and underweight in Financials & Energy. Given the scheme's theme, HBCF has not taken exposure to IT, Consumer Staples, Healthcare, Utilities and Communication Services.

| HSBC Business Cycles Fund | | | | Date of Inception : 20 August, 2014 | | | | |
|--|---------------|----------------|---------------|-------------------------------------|---------------|----------------|-----------------|----------------|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Business Cycles Fund | 10,518 | 5.18 | 22,192 | 30.44 | 14,676 | 7.96 | 23,874 | 10.63 |
| Scheme Benchmark (Nifty 500 TRI) | 9,878 | -1.22 | 21,450 | 28.97 | 17,271 | 11.52 | 25,328 | 11.39 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 24,411 | 10.91 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---------------------------|--|---|
| HSBC Business Cycles Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY 500 TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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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For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced

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For the year ended March 31, 2023 (Contd...)

in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to

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monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322.

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For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Business Cycles Fund | 70 | 231,009.85 | 34 | 978,680.44 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for

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engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------------|---|---|--|
| HSBC Business Cycles Fund | Very High | Very High | 0 |

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12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | <p>Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.</p> | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code /Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | <p>Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.</p> | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | <p>Principle 3: Institutional investors should monitor their investee companies.</p> | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | <p>Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.</p> | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Business Cycles Fund (Erstwhile known as L&T Business Cycles Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Business Cycles Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth

Independent Auditors' Report (Contd...)

Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYF1627

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 24,915.99 |
| | 23,273.66 | |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (12,310.26) |
| 2.2 | Unrealised Appreciation Reserve | 25,179.50 |
| 2.3 | Other Reserves | 17,566.44 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 206.71 |
| | 209.72 | |
| | 54,400.40 | 55,558.38 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 55,105.05 |
| 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 | - |
| | 51,792.04 | 55,105.05 |
| 2 | Deposits | 4.02 |
| | 13.62 | |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 16.66 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 416.67 |
| 3.3 | Others | 15.99 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | 54,400.40 | 55,558.38 |

Notes to Accounts – Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 356.94 | 291.98 |
| 1.2 Interest | 73.84 | 14.65 |
| 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 | 9,232.54 | 8,222.12 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 5.84 | 9.78 |
| (A) | 9,669.16 | 8,538.53 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 615.03 | 643.90 |
| 2.2 GST on Management Fees | 110.71 | 115.91 |
| 2.3 Transfer Agents Fees and Expenses | 40.71 | 40.96 |
| 2.4 Custodian Fees | 1.41 | 2.07 |
| 2.5 Trusteeship Fees | 0.34 | 0.39 |
| 2.6 Commission to Agents | 541.80 | 558.06 |
| 2.7 Marketing & Distribution Expenses | 1.55 | 0.20 |
| 2.8 Audit Fees | 0.64 | 0.64 |
| 2.9 Investor Education Expenses | 10.86 | 11.12 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 8.93 | 7.50 |
| (B) | 1,331.98 | 1,380.75 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) | 8,337.18 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) | 8,337.18 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | (5,591.56) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) | 2,745.62 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 5,591.56 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 2,597.66 |
| 7.3 Add/(Less) : Equalisation | (1,436.32) | (1,630.84) |
| 7.4 Transfer from Reserve Fund | 17,566.44 | 12,363.83 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 24,467.30 | 17,890.77 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (291.28) | (324.33) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 24,176.02 | 17,566.44 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 22.7000 | 19.024 |
| Regular Plan - IDCW Option | 17.7320 | 15.761 |
| Direct Plan - Growth Option | 24.1080 | 19.986 |
| Direct Plan - IDCW Option | 18.5690 | 16.381 |
| High | | |
| Regular Plan - Growth Option | 25.0903 | 24.312 |
| Regular Plan - IDCW Option | 18.3782 | 18.991 |
| Direct Plan - Growth Option | 26.8484 | 25.765 |
| Direct Plan - IDCW Option | 19.3418 | 19.845 |
| Low | | |
| Regular Plan - Growth Option | 23.0913 | 18.400 |
| Regular Plan - IDCW Option | 16.9140 | 15.245 |
| Direct Plan - Growth Option | 24.7419 | 19.337 |
| Direct Plan - IDCW Option | 17.8242 | 15.850 |
| End | | |
| Regular Plan - Growth Option | 23.8745 | 22.700 |
| Regular Plan - IDCW Option | 17.4877 | 17.732 |
| Direct Plan - Growth Option | 25.6293 | 24.108 |
| Direct Plan - IDCW Option | 18.4636 | 18.569 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 54,217 | 55,352 |
| Average (AAuM) ¹ | 54,313 | 55,571 |
| 3. Gross income as % of AAuM ² | 17.80% | 17.40% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 2.51% | 2.54% |
| Direct Plan | 1.44% | 1.45% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 1.13% | 1.16% |
| Direct Plan | 1.12% | 1.13% |
| 5. Net Income as a percentage of AAuM ³ | 15.35% | 15.00% |
| 6. Portfolio turnover ratio ⁴ | 0.28 | 0.14 |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 1.10 | 1.00 |
| Direct Plan - IDCW Option | 1.20 | 1.10 |
| Corporate | | |
| Regular Plan - IDCW Option | 1.10 | 1.00 |
| Direct Plan - IDCW Option | 1.20 | 1.10 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 5.18% | 19.32% |
| Direct Plan - Growth Option | 6.31% | 20.62% |
| Benchmark | | |
| Nifty 500 TRI | -1.22% | 22.26% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 10.63% | 11.36% |
| Direct Plan - Growth Option | 11.54% | 12.25% |
| Benchmark | | |
| Nifty 500 TRI | 11.39% | 13.31% |

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, 2023

1 Investments:

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 are Nil.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was as under -

(Rupees)

| Issuer | Instrument Type | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) |
|------------------------|-----------------|--------------|--|--------------|--|
| | | 2022-23 | | 2021-22 | |
| Larsen and Toubro Ltd. | Equity | – | – | 219,188,600 | 4,752,894,441 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|-----------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Equity Shares | | | | |
| - Appreciation | 2,041,754,247 | 37.66% | 2,555,233,166 | 46.16% |
| - Depreciation | 82,960,647 | 1.53% | 37,283,625 | 0.67% |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 1,510,304,470 and Rs. 2,205,703,861 respectively being 27.81% and 40.61% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 754,427,650 and Rs. 1,569,083,059 respectively being 13.58% and 28.24% of the average 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:

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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

During the year 2022-23, 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 2021-22, 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 | Group Company | 2022-2023 | 0.41 | 0.75 | 11,120 | 0.02 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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 | 2022-2023 | 1.39 | 0.37 | 16,732 | 0.39 |
| HSBC Securities & Capital Markets (India) Private Limited | Sponsor | 2021-2022 | Nil | | | |

3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.

4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|-----------------------------|-----------------|----------------|---------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 210,315,608.634 | 20,157,290.699 | 33,434,022.63 | 197,038,876.704 | 10 |
| Regular Plan IDCW | 26,524,722.925 | 1,077,570.252 | 3,988,316.145 | 23,613,977.032 | 10 |
| Direct Plan Growth Option** | 11,195,722.823 | 1,912,897.585 | 2,106,900.779 | 11,001,719.629 | 10 |
| Direct Plan IDCW | 1,123,807.256 | 49,993.713 | 91,799.570 | 1,082,001.399 | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| Description | 2022-23 | | | | |
|-----------------------------|-----------------|----------------|----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| | 2021-22 | | | | |
| Regular Plan Growth Option | 235,259,734.954 | 23,923,776.072 | 48,867,902.392 | 210,315,608.634 | 10 |
| Regular Plan IDCW | 33,100,892.863 | 919,826.423 | 7,495,996.361 | 26,524,722.925 | 10 |
| Direct Plan Growth Option** | 11,602,631.258 | 1,752,157.741 | 2,159,066.176 | 11,195,722.823 | 10 |
| Direct Plan IDCW | 1,215,294.687 | 80,860.251 | 172,347.682 | 1,123,807.256 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 500000 & as on March 31, 2022 is 500000.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than management fee & audit fee are inclusive of GST wherever applicable.
- 8 Other income of Rs. 584,047/- represents Exit load credited to the scheme. (2022: Rs. 978,068/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---------------------------|---|---|--|
| HSBC Business Cycles Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Value Fund **(Erstwhile L&T India Value Fund)**

An open ended equity scheme following a value investment strategy.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

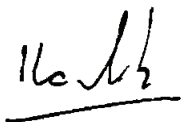
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "**MF Regulations**"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Value Fund (Erstwhile L&T India Value Fund) (HVF)

(An open ended equity scheme following a value investment strategy.)

The investment objective of the scheme is to generate long-term capital appreciation from a diversified portfolio of predominantly equity and equity related securities, in the Indian markets with higher focus on undervalued securities.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HVF amounted to INR 7883.63 crores as at March 31, 2023 as against INR 7828.67 crores as at March 31, 2022. Around 99.67% of the net assets were invested in equities, 0.53% of the net assets were invested in reverse repos/TREPS and (-0.2%) in net current assets as at March 31, 2023.

It is the endeavor of the fund managers to identify undervalued stocks having the potential to deliver long term risk-adjusted returns. Undervalued stocks would include stocks which the fund managers believe are trading at less than their assessed values.

The Fund Managers aim is to identify undervalued stocks having the potential to deliver long term risk-adjusted returns. Undervalued stocks would include stocks which the Fund Managers believe are trading at less than their assessed values. The identification of undervalued stocks would involve fundamental analysis. It is based on the evaluation of various factors including but not limited to stock valuation, financial strength, cash flows, company's competitive advantage, business prospects and earnings potential. Hence the investment approach is largely bottom up in nature.



During the last one-year period ending March 31 2023, the HVF outperformed its benchmark. All three segments large, mid and small cap categories have contributed to the out performance. Stock selection has been the key to this out performance. Value as a style has been doing well especially since the interest rate cycle started its upward move. This provided some tailwind for the category and the fund. The mix of large, mid and small cap within the portfolio is changed based on the market conditions and availability of stocks in the value zone. HVF is overweight on Banks, Construction, Auto and auto ancillaries, Ferrous metals, Power, etc. while being underweight on IT, Pharmaceuticals and consumer staples.

| HSBC Value Fund | | Date of Inception : 8 January, 2010 | | | | | | | |
|--|---------------|-------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Value Fund | 10,497 | 4.97 | 24,451 | 34.72 | 16,837 | 10.96 | 60,535 | 14.58 | |
| Scheme Benchmark (Nifty 500 TRI) | 9,878 | -1.22 | 21,450 | 28.97 | 17,271 | 11.52 | 38,343 | 10.69 | |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 38,804 | 10.79 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-----------------|--|---|
| HSBC Value Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY 500 TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to

Trustees' Report

For the year ended March 31, 2023 (Contd...)

monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|-----------------|--------------------|---------------|----------------------|---------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Value Fund | 4,117 | 12,574,928.73 | 900 | 18,425,656.08 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 | |
| IA | Non receipt of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| IB | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for

Trustees' Report

For the year ended March 31, 2023 (Contd...)

engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|-----------------|---|---|--|
| HSBC Value Fund | Very High | Very High | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | <p>Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.</p> | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | <p>Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.</p> | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | <p>Principle 3: Institutional investors should monitor their investee companies.</p> | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | <p>Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.</p> | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Value Fund (Erstwhile known as L&T Value Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Value Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth

Independent Auditors' Report (Contd...)

Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXP2901

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | |
| | 131,536.95 | 136,984.40 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 112,947.58 |
| 2.2 | Unrealised Appreciation Reserve | 247,227.56 |
| 2.3 | Other Reserves | 251,621.23 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 2,728.07 |
| | 790,861.58 | 785,493.69 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 777,996.57 |
| 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 | - |
| | 785,964.26 | 777,996.57 |
| 2 | Deposits | 83.14 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 107.36 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 6,841.84 |
| 3.3 | Others | 464.78 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | 790,861.58 | 785,493.69 |

Notes to Accounts – Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 9,600.93 | 8,696.63 |
| 1.2 Interest | 747.83 | 226.94 |
| 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 | 76,133.83 | 127,099.09 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 55.41 | 98.26 |
| | (A) 86,538.00 | 136,120.92 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 5,021.85 | 5,043.84 |
| 2.2 GST on Management Fees | 903.93 | 907.89 |
| 2.3 Transfer Agents Fees and Expenses | 573.72 | 550.31 |
| 2.4 Custodian Fees | 17.08 | 26.20 |
| 2.5 Trusteeship Fees | 4.90 | 5.22 |
| 2.6 Commission to Agents | 5,831.74 | 5,800.75 |
| 2.7 Marketing & Distribution Expenses | 6.43 | 1.72 |
| 2.8 Audit Fees | 9.13 | 8.77 |
| 2.9 Investor Education Expenses | 154.33 | 151.85 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 100.20 | 71.50 |
| | (B) 12,623.31 | 12,568.05 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR | (C = A - B) 73,914.69 | 123,552.87 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) - | 1.71 |
| 5 NET GAINS / (LOSSES) FOR THE YEAR | (E = C + D) 73,914.69 | 123,554.58 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) (34,007.95) | 49,914.69 |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR | (G = E + F) 39,906.74 | 173,469.27 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 34,007.95 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | (49,914.69) |
| 7.3 Add/(Less) : Equalisation | (11,841.83) | (14,330.01) |
| 7.4 Transfer from Reserve Fund | 251,621.23 | 144,491.40 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 313,694.09 | 253,715.97 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (4,746.96) | (2,094.75) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 308,947.13 | 251,621.22 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 57.6700 | 45.663 |
| Regular Plan - IDCW Option | 38.5220 | 32.077 |
| Direct Plan - Growth Option | 62.3650 | 48.907 |
| Direct Plan - IDCW Option | 44.8020 | 36.931 |
| High | | |
| Regular Plan - Growth Option | 62.8409 | 61.558 |
| Regular Plan - IDCW Option | 39.7854 | 41.119 |
| Direct Plan - Growth Option | 68.4211 | 66.443 |
| Direct Plan - IDCW Option | 46.6386 | 47.732 |
| Low | | |
| Regular Plan - Growth Option | 58.8942 | 44.770 |
| Regular Plan - IDCW Option | 33.8745 | 31.450 |
| Direct Plan - Growth Option | 64.1605 | 47.965 |
| Direct Plan - IDCW Option | 40.4157 | 36.220 |
| End | | |
| Regular Plan - Growth Option | 60.5350 | 57.670 |
| Regular Plan - IDCW Option | 34.8186 | 38.522 |
| Direct Plan - Growth Option | 66.1021 | 62.365 |
| Direct Plan - IDCW Option | 41.5449 | 44.802 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 788,363 | 782,787 |
| Average (AAuM) ¹ | 771,614 | 759,229 |
| 3. Gross income as % of AAuM ² | | |
| | 11.22% | 17.93% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.84% | 1.85% |
| Direct Plan | 0.87% | 0.88% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.65% | 0.67% |
| Direct Plan | 0.64% | 0.66% |
| 5. Net Income as a percentage of AAuM ³ | | |
| | 9.58% | 16.27% |
| 6. Portfolio turnover ratio ⁴ | | |
| | 0.29 | 0.28 |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 5.25 | 1.75 |
| Direct Plan - IDCW Option | 5.50 | 2.00 |
| Corporate | | |
| Regular Plan - IDCW Option | 5.25 | 1.75 |
| Direct Plan - IDCW Option | 5.50 | 2.00 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 4.97% | 26.29% |
| Direct Plan - Growth Option | 5.99% | 27.52% |
| Benchmark | | |
| Nifty 500 TRI | -1.22% | 22.26% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 14.58% | 15.40% |
| Direct Plan - Growth Option | 17.85% | 19.21% |
| Benchmark | | |
| Nifty 500 TRI | 10.69% | 12.03% |

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, 2023

1 Investments:

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 are Nil.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was as under -

(Rupees)

| Issuer | Instrument Type | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) |
|------------------------|-----------------|--------------|--|---------------|--|
| | | 2022-23 | | 2021-22 | |
| Larsen and Toubro Ltd. | Equity | - | - | 2,160,421,830 | 4,752,894,441 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|-----------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Equity | | | | |
| - Appreciation | 26,253,259,632 | 33.30% | 28,878,306,423 | 36.89% |
| - Depreciation | 1,530,503,548 | 1.94% | 754,755,182 | 0.96% |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 23,058,929,071 and Rs. 26,472,849,188 respectively being 29.88% and 34.31% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 20,901,584,644 and Rs. 27,837,559,450 respectively being 27.53% and 36.67% of the average 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

During the year 2022-23, 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 2021-22, 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 | Group Company | 2022-2023 | 4.17 | 0.54 | 847,180 | 0.16 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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 | 2022-2023 | 144.36 | 2.95 | 1,733,510 | 4.22 |
| HSBC Securities & Capital Markets (India) Private Limited | Sponsor | 2021-2022 | Nil | | | |

- 3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|------------------------------|-------------------|-----------------|-----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 1,014,408,369.900 | 108,794,299.588 | 147,711,915.981 | 975,490,753.507 | 10 |
| Regular Plan - IDCW Option | 94,450,110.755 | 9,034,523.959 | 20,430,547.834 | 83,054,086.880 | 10 |
| Direct Plan Growth Option** | 253,205,750.317 | 17,136,477.878 | 17,881,472.648 | 252,460,755.547 | 10 |
| Direct Plan IDCW Option | 7,779,729.261 | 577,272.659 | 3,993,081.651 | 4,363,920.269 | 10 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| Description | 2021-22 | | | | |
|------------------------------|-------------------|-----------------|-----------------|-------------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 1,109,216,936.529 | 105,769,381.180 | 200,577,947.809 | 1,014,408,369.900 | 10 |
| Regular Plan - IDCW Option | 121,791,293.339 | 3,323,649.223 | 30,664,831.807 | 94,450,110.755 | 10 |
| Direct Plan Growth Option** | 258,180,008.372 | 22,120,154.015 | 27,094,412.070 | 253,205,750.317 | 10 |
| Direct Plan IDCW | 5,585,502.916 | 3,689,368.953 | 1,495,142.608 | 7,779,729.261 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 1,555,749.624 & as on March 31, 2022 is 383,793.839.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than management fee & audit fee are inclusive of GST wherever applicable.
- 8 Other income of Rs. 5,541,376/- represents Exit load credited to the scheme. (2022: Rs. 9,826,486/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)
- 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|-----------------|---|---|--|
| HSBC Value Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC ELSS Fund (Erstwhile L&T Tax Advantage Fund)

An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

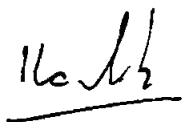
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC ELSS Fund (Erstwhile L&T Tax Advantage Fund) (HEF)

(An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit)

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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HEF stood at INR 2983.74 crores as at March 31, 2023 as against INR 3369.31 crores as at March 31, 2022. Around 97.79% of the net assets were invested in equities, 2.65% of the net assets were invested in reverse repos/TREPS and (-0.44%) in net current assets as at March 31, 2023.

The investment approach for HEF is bottom-up stock picking and it seeks to add the best opportunities that the market presents, without any sector/cap bias.

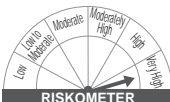

There is some underperformance on back of Underweight in metals and PSU banks. HEF largely has growth and blend bias and hence the underweight in the above sectors. Also taking cognizance of the global volatility and factors such as China not rebounding as expected post opening up of Covid restrictions, recession expected in developed markets such as US and Europe, sectors such as metals have been underweight.

Some good picks in IT and consumer discretionary segment helped performance in the second half of the year. The fund managers expect the capex cycle revival and PLI schemes to benefit the manufacturing space, hence HEF is largely positioned in that manner. Also, the fund managers expect Auto and discretionary consumption space to do well specially on the premium end. The portfolio largely reflects this stance.

| HSBC ELSS Fund | | Date of Inception : 27 February, 2006 | | | | | | | |
|--|---------------|---------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC ELSS Fund | 9,840 | -1.60 | 19,900 | 25.78 | 14,427 | 7.59 | 78,000 | 12.76 | |
| Scheme Benchmark (Nifty 500 TRI) | 9,878 | -1.22 | 21,450 | 28.97 | 17,271 | 11.52 | 66,944 | 11.76 | |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 69,587 | 12.01 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|----------------|---|--|
| HSBC ELSS Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY 500 TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity

Trustees' Report

For the year ended March 31, 2023 (Contd...)

inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still

Trustees' Report

For the year ended March 31, 2023 (Contd...)

trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past

Trustees' Report

For the year ended March 31, 2023 (Contd...)

month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|----------------|--------------------|----------------|----------------------|---------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC ELSS Fund | 74,307 | 100,208,049.75 | 834 | 23,147,890.19 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 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 | 3 | 3 | 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

Trustees' Report

For the year ended March 31, 2023 (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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|----------------|---|---|--|
| HSBC ELSS Fund | Very High | Very High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC ELSS Fund (Erstwhile known as L&T Tax Advantage Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC ELSS Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth

Independent Auditors' Report *(Contd...)*

Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXO1075

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 55,072.29 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (3,251.81) |
| 2.2 | Unrealised Appreciation Reserve | 45,719.69 |
| 2.3 | Other Reserves | 239,376.81 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 5,503.93 |
| | TOTAL | 342,420.91 |
| | 301,913.33 | |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 333,854.06 |
| 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 | 333,854.06 |
| | 291,777.20 | |
| 2 | Deposits | 1,191.45 |
| | 41.28 | |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 375.27 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 4,740.77 |
| 3.3 | Others | 2,259.36 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 342,420.91 |
| | 301,913.33 | |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

| | | Rs. in Lakhs | |
|-----------|--|---|--|
| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| 1 | INCOME | | |
| 1.1 | Dividend | 2,559.54 | 3,128.23 |
| 1.2 | Interest | 273.69 | 244.10 |
| 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 | 7,201.71 | 125,102.45 |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 | Other Income | 2.07 | 5.24 |
| | (A) | 10,037.01 | 128,480.02 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | 2,869.43 | 3,310.93 |
| 2.2 | GST on Management Fees | 516.50 | 595.97 |
| 2.3 | Transfer Agents Fees and Expenses | 231.65 | 250.93 |
| 2.4 | Custodian Fees | 7.25 | 11.96 |
| 2.5 | Trusteeship Fees | 1.99 | 2.45 |
| 2.6 | Commission to Agents | 2,185.61 | 2,335.16 |
| 2.7 | Marketing & Distribution Expenses | 2.47 | 1.32 |
| 2.8 | Audit Fees | 3.70 | 4.04 |
| 2.9 | Investor Education Expenses | 62.53 | 70.04 |
| 2.10 | Interest on Borrowing | - | - |
| 2.11 | Other Operating Expenses | 53.25 | 53.03 |
| | (B) | 5,934.38 | 6,635.83 |
| 3 | NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 4,102.63 | 121,844.19 |
| 4 | Change in Unrealised Depreciation in Value of Investments (D) | - | - |
| 5 | NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 4,102.63 | 121,844.19 |
| 6 | Change in Unrealised Appreciation in Value of Investments (F) | (9,203.61) | (63,498.92) |
| 7 | NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | (5,100.98) | 58,345.27 |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 9,203.61 | 63,498.92 |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 | Add/(Less) : Equalisation | (19,410.89) | (27,486.14) |
| 7.4 | Transfer from Reserve Fund | 239,376.82 | 148,190.33 |
| 7.5 | Transfer from Unit Premium Reserve | - | - |
| 8 | Total | 224,068.56 | 242,548.38 |
| 9 | Dividend Appropriation | | |
| 9.1 | Income Distributed during the Year | (4,798.38) | (3,171.57) |
| 9.2 | Tax on Income Distributed during the Year | - | - |
| 10 | Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 219,270.18 | 239,376.81 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 79.2680 | 67.250 |
| Regular Plan - IDCW Option | 24.8340 | 22.448 |
| Direct Plan - Growth Option | 84.1760 | 70.876 |
| Direct Plan - IDCW Option | 33.0530 | 29.544 |
| High | | |
| Regular Plan - Growth Option | 82.2248 | 85.633 |
| Regular Plan - IDCW Option | 24.7309 | 27.864 |
| Direct Plan - Growth Option | 87.7789 | 90.798 |
| Direct Plan - IDCW Option | 33.1295 | 36.826 |
| Low | | |
| Regular Plan - Growth Option | 75.7369 | 66.129 |
| Regular Plan - IDCW Option | 20.8341 | 22.074 |
| Direct Plan - Growth Option | 81.0637 | 69.728 |
| Direct Plan - IDCW Option | 28.6691 | 29.065 |
| End | | |
| Regular Plan - Growth Option | 78.0001 | 79.268 |
| Regular Plan - IDCW Option | 21.4054 | 24.834 |
| Direct Plan - Growth Option | 83.4937 | 84.176 |
| Direct Plan - IDCW Option | 29.4573 | 33.053 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 298,374 | 336,918 |
| Average (AAuM) ¹ | 312,639 | 350,161 |
| 3. Gross income as % of AAuM ² | | |
| | 3.21% | 36.69% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.98% | 1.97% |
| Direct Plan | 1.19% | 1.21% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.92% | 0.95% |
| Direct Plan | 0.91% | 0.93% |
| 5. Net Income as a percentage of AAuM ³ | | |
| | 1.31% | 34.80% |
| 6. Portfolio turnover ratio ⁴ | | |
| | 0.74 | 1.33 |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 3.00 | 1.60 |
| Direct Plan - IDCW Option | 3.30 | 2.00 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| Corporate | | |
| Regular Plan - IDCW Option | 3.00 | 1.60 |
| Direct Plan - IDCW Option | 3.30 | 2.00 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | (1.60%) | 17.87% |
| Direct Plan - Growth Option | (0.81%) | 18.77% |
| Benchmark | | |
| Nifty 500 TRI | (1.22%) | 22.26% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 12.76% | 13.72% |
| Direct Plan - Growth Option | 13.09% | 14.71% |
| Benchmark | | |
| Nifty 500 TRI | 11.76% | 12.84% |

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, 2023

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 on year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was as under :

| Issuer | Instrument Type | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) |
|------------------|-----------------|--------------|--|--------------|--|
| | | 2023 | | 2022 | |
| L&T Infotech Ltd | Equity | – | – | 457,961,760 | 844,053,070 |
| Mindtree Limited | Equity | – | – | 345,092,580 | 1,218,426,376 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 & March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentages to net assets are as under :

| Security Category | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|----------------------|---------------|--------------------------|---------------|--------------------------|
| | 2023 | | 2022 | |
| Equity Shares | | | | |
| – Appreciation | 4,140,215,857 | 13.88% | 5,410,303,289 | 16.06% |
| – Depreciation | 488,608,782 | 1.64% | 838,334,742 | 2.49% |

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2022 - 2023 (excluding accretion of discount) is Rs. 21,961,730,835 and Rs. 25,969,225,909 respectively being 70.25% and 83.06% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2021 - 2022 (excluding accretion of discount) is Rs. 46,675,571,247 and Rs. 51,630,346,089 respectively being 133.30% and 147.45% of the average net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets during the financial year March 31, 2023 and March 31, 2022 is NIL.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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

During the year 2022-23, 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 2021-22, 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 | Group Company | 2022-2023 | 0.70 | 0.35 | 178,584 | 0.09 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

* 0.00 indicates amount less than Rs. 0.005 crores

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 | 2022-2023 | 211.91 | 4.42 | 2,542,821 | 5.10 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | NIL | | | |

3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.

4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|------------------------------|-----------------|----------------|----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 324,727,247.509 | 19,016,142.088 | 43,714,323.698 | 300,029,065.899 | 10 |
| Regular Plan IDCW Option | 180,458,621.153 | 5,960,813.664 | 37,141,844.806 | 149,277,590.011 | 10 |
| Direct Plan Growth Option ** | 38,431,443.725 | 4,494,478.644 | 6,461,241.818 | 36,464,680.551 | 10 |
| Direct Plan IDCW Option | 7,105,586.334 | 431,983.004 | 1,179,048.633 | 6,358,520.705 | 10 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

| Description | 2021-22 | | | | |
|-----------------------------|-----------------|----------------|----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 372,065,224.874 | 18,108,677.791 | 65,446,655.156 | 324,727,247.509 | 10 |
| Regular Plan IDCW Option | 264,531,662.881 | 2,187,719.068 | 86,260,760.796 | 180,458,621.153 | 10 |
| Direct Plan Growth Option** | 40,232,534.763 | 4,441,649.986 | 6,242,741.024 | 38,431,443.725 | 10 |
| Direct Plan IDCW Option | 8,090,063.871 | 511,540.706 | 1,496,018.243 | 7,105,586.334 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 548,388.304 & as on March 31, 2022 is 132,721.047.

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 207,181/- represents Exit load credited to the scheme. (2022: Rs. 524,131/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)
- 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|----------------|---|---|--|
| HSBC ELSS Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Multi Cap Fund

An open ended equity scheme investing across large cap, mid cap, small cap stocks.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

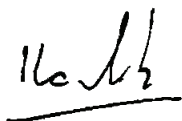
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Multi Cap Fund ('HMF')

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

The investment objective of the scheme is to generate long-term capital growth from an actively managed portfolio of equity and equity related securities across market capitalization. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

HMF was launched during the year on January 30, 2023 and portfolio construction began from 1st February 2023. The net assets of HMF amounted to INR 1257.52 crores as at March 31, 2023. Around 83.88% of the net assets were invested in equities, 16.15% of the net assets were invested in reverse repos/TREPS and (-0.03%) in net current assets as at March 31, 2023.


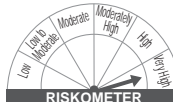
The aim of HMF is to provide long-term capital growth from a dynamically managed portfolio across small, mid and large cap stocks. The market capitalization allocation of assets will be minimum 25% each in small, mid and large cap stocks as per the SEBI guidelines at all points of time.

The aim of HMF is to seek aggressive growth and deliver above-benchmark returns by providing long-term capital growth from an actively managed portfolio, mainly comprising a judicious mix of small, mid and large cap stocks. A blend of top down and bottom up approach will be used to invest in equity and equity related instruments. Investments will be pursued in select sectors based on the investment team's analysis of business cycles, regulatory reforms, competitive advantage etc. The fund manager in selecting scrips will focus on the fundamentals of the business, the industry structure, the quality of management, sensitivity to economic factors, the factors and forces affecting the securities market including the fluctuations in the interest rates.

The HMF portfolio was in the process of construction over the two-month period between February and March 2023. The initial task was to meet the regulatory limit of 25% each in large, mid and small cap categories. Since it has been just two months since inception, an attribution exercise is not relevant.

Performance data of the scheme has not been provided for the schemes which have not completed one year as on March 31, 2023 since inception.

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---------------------|--|--|
| HSBC Multi Cap Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY 500 Multicap 50:25:25 TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various

Trustees' Report

For the year ended March 31, 2023 (Contd...)

economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

Trustees' Report

For the year ended March 31, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2023: 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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 |
| 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Multi Cap Fund | NA | Very High | 0 |

NA - Scheme not in existence. Scheme launched during the financial year 2022-23. Risk-o-meter at the time of Scheme launch is provided.

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|---|---|
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Scheme launched during the current financial year

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Multi cap Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Multi Cap Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the period ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the period ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations, and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of

Independent Auditors' Report (Contd...)

adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account, and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQZI7526

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | | As at March 31, 2023 [#] |
|--------------------------|---|--------------------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 125,399.02 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 3.19 |
| 2.2 | Unrealised Appreciation Reserve | 53.48 |
| 2.3 | Other Reserves | 396.59 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 336.73 |
| TOTAL | | 126,189.01 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 105,554.45 |
| 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 | | 105,554.45 |
| 2 | Deposits | 280.20 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 47.55 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 20,302.91 |
| 3.3 | Others | 3.90 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| TOTAL | | 126,189.01 |

[#] Scheme launched during the current financial year

Notes to Accounts - Annexure I

Abridged Revenue Account for the period ended March 31, 2023

Rs. in Lakhs

| | Current period ended March 31, 2023 # |
|--|--|
| 1 INCOME | |
| 1.1 Dividend | 82.75 |
| 1.2 Interest | 750.99 |
| 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 | - |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - |
| 1.7 Other Income | 17.91 |
| | (A) 851.65 |
| 2 EXPENSES | |
| 2.1 Management Fees | 135.98 |
| 2.2 GST on Management Fees | 24.48 |
| 2.3 Transfer Agents Fees and Expenses | 14.03 |
| 2.4 Custodian Fees | - |
| 2.5 Trusteeship Fees | 0.09 |
| 2.6 Commission to Agents | 257.02 |
| 2.7 Marketing & Distribution Expenses | 1.20 |
| 2.8 Audit Fees | 1.45 |
| 2.9 Investor Education Expenses | 4.11 |
| 2.10 Interest on Borrowing | - |
| 2.11 Other Operating Expenses | 3.60 |
| | (B) 441.97 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) 409.68 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) 409.68 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) 53.48 |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) 463.16 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | 53.48 |
| 7.3 Add/(Less) : Equalisation | (13.10) |
| 7.4 Transfer from Reserve Fund | - |
| 7.5 Transfer from Unit Premium Reserve | - |
| 8 Total | 396.59 |
| 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 | 396.59 |

Scheme launched during the current financial year

Notes to Accounts - Annexure I

Key Statistics for the period ended March 31, 2023

| | Current period ended March 31, 2023 # |
|---|---|
| 1. NAV per unit (Rs.): | |
| Open | |
| Regular Plan - Growth Option | - |
| Regular Plan - IDCW Option | - |
| Direct Plan - Growth Option | - |
| Direct Plan - IDCW Option | - |
| High | |
| Regular Plan - Growth Option | 10.1495 |
| Regular Plan - IDCW Option | 10.1495 |
| Direct Plan - Growth Option | 10.1642 |
| Direct Plan - IDCW Option | 10.1642 |
| Low | |
| Regular Plan - Growth Option | 9.7721 |
| Regular Plan - IDCW Option | 9.7721 |
| Direct Plan - Growth Option | 9.7936 |
| Direct Plan - IDCW Option | 9.7936 |
| End | |
| Regular Plan - Growth Option | 10.0356 |
| Regular Plan - IDCW Option | 10.0356 |
| Direct Plan - Growth Option | 10.0587 |
| Direct Plan - IDCW Option | 10.0587 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | |
| End | 125,752 |
| Average (AAuM) ¹ | 120,919 |
| 3. Gross income as % of AAuM ² | 0.70% |
| 4. Expense Ratio: | |
| a. Total Expense as % of AAuM (Including GST on Management fees) (plan wise) | |
| Regular Plan | 2.17% |
| Direct Plan | 0.79% |
| b. Management Fee as % of AAuM (plan wise) | |
| Regular Plan | 0.66% |
| Direct Plan | 0.57% |
| 5. Net Income as a percentage of AAuM ³ | 0.34% |
| 6. Portfolio turnover ratio ⁴ | - |

Key Statistics for the period ended March 31, 2023 (Contd...)

| | Current period ended March 31, 2023 # |
|--|---|
| 7. Total Dividend per unit distributed during the year (plan wise) | |
| Retail | |
| Regular Plan - IDCW Option | — |
| Direct Plan - IDCW Option | — |
| Corporate | |
| Regular Plan - IDCW Option | — |
| Direct Plan - IDCW Option | — |
| 8. Returns (%): | |
| a. Last One Year | |
| Scheme | |
| Regular Plan - Growth Option | NA |
| Direct Plan - Growth Option | NA |
| Benchmark | |
| NIFTY 500 Multicap 50:25:25 TRI | NA |
| b. Since Inception | |
| Scheme | |
| Regular Plan - Growth Option | 0.36% ## |
| Direct Plan - Growth Option | 0.59% ## |
| Benchmark | |
| NIFTY 500 Multicap 50:25:25 TRI | -1.81% ## |

Scheme launched during the current financial year

Annualised

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 period ended March 31, 2023

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 on year ended March 31, 2023 is NIL.

1.3. Investments in Associates and Group Companies are as under :

(Rupees)

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes |
|--------|-----------------|--------|--------------------------------------|
| | | 2023 | |
| Nil | | | |

1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 is NIL.

1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 is 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 |
|----------------------|--------------|--------------------------|
| | 2023 | |
| Equity Shares | | |
| - Appreciation | 267,661,406 | 2.13 |
| - Depreciation | 262,312,962 | 2.09 |

1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) is Rs. 10,550,096,089 and Rs. 0 respectively being 513.67% and 0% of the average net assets.

1.8. Non-Traded securities in the portfolio of the scheme as on the year ended March 31, 2023 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 2022-23, 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 | 2022-2023 | 734.47 | 57.36 | 6,493,913 | 51.33 |

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

3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2023.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2023**

4 Unit Capital movement during the year ended March 31, 2023:

| Description | 2022-2023 | | | | |
|-------------------------------|---------------|-------------------|----------------|-------------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | - | 1,243,025,777.208 | 22,614,354.229 | 1,220,411,422.979 | 10 |
| Regular Plan - IDCW Option | - | 6,729,651.040 | 14,699.195 | 6,714,951.845 | 10 |
| Direct Plan - Growth Option** | - | 30,708,355.155 | 4,130,083.589 | 26,578,271.566 | 10 |
| Direct Plan - IDCW Option | - | 285,567.066 | - | 285,567.066 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 1,570,587.671.

5 No contingent liabilities for the year ended March 31, 2023.

6 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.

7 Other Income Rs. Nil.

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016. The IEA disclosure's are presented for surviving schemes only.

9 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.

10 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.

11 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

12 # Scheme launched during current year.

Notes to Accounts – Annexure I (Contd..)**To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2023****13 Disclosure of Risk-O-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Multi Cap Fund | Very High | NA | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Nifty 50 Index Fund **(Erstwhile L&T Nifty 50 Index Fund)**

Index Fund - An open ended Equity Scheme tracking NIFTY 50 Index.

Abridged Annual Report 2022 - 2023

 **HSBC** Mutual Fund

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

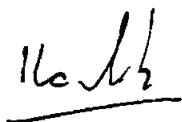
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Nifty 50 Index Fund (Erstwhile L&T Nifty 50 Index Fund) (HNI-50)

(Index Fund - An open ended Equity Scheme tracking NIFTY 50 Index)

The scheme has adopted a passive investment strategy. The scheme invests in stocks comprising the Nifty 50 index in the same proportion as in the benchmark index with the objective of achieving returns equivalent to the Total Returns Index of Nifty 50 index by minimizing the performance difference between the benchmark index and the Scheme. The Total Returns Index is an index that reflects the returns on the index from index

Trustees' Report

For the year ended March 31, 2023 (Contd...)

gain/loss plus dividend payments by the constituent stocks. There is no assurance that the investment objective of the Scheme will be realized.

The net assets of HNI-50 amounted to INR 165.04 crores as at March 31, 2023 as against INR 92.02 crores as at March 31, 2022. Around 99.8% of the net assets were invested in equities, 1.09% of the net assets were invested in reverse repos/TREPS and (-0.89%) in net current assets as at March 31, 2023.



HNI-50 invests predominantly in stocks constituting the underlying index in the same proportion as in the Index and endeavors to track the benchmark index. A very small portion (0-5% of the Net Assets) of HNI-50 may be kept liquid to meet the liquidity and expense requirements.

| HSBC Nifty 50 Index Fund | | | | | Date of Inception : 15 April, 2020 | | | |
|---|---------------|----------------|---------------|----------------|------------------------------------|----------------|-----------------|----------------|
| Fund/ Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Nifty 50 Index Fund | 9,997 | -0.03 | NA | NA | NA | NA | 19,628 | 25.60 |
| Scheme Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | NA | NA | NA | NA | 20,105 | 26.62 |
| Additional Benchmark (S&P BSE Sensex TRI) | 10,203 | 2.03 | NA | NA | NA | NA | 20,084 | 26.58 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--------------------------|---|---|
| HSBC Nifty 50 Index Fund |  <p>RISKOMETER</p> <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: Nifty 50 TRI</p>  <p>RISKOMETER</p> |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD 30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

Trustees' Report

For the year ended March 31, 2023 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

Trustees' Report

For the year ended March 31, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|--------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Nifty 50 Index Fund | - | - | 8 | 509,743.88 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/MD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Nifty 50 Index Fund | Very High | Very High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Nifty 50 Index Fund (Erstwhile known as L&T Nifty 50 Index Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC NIFTY 50 INDEX FUND** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth

Independent Auditors' Report (Contd...)

Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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

Independent Auditors' Report (Contd...)

safeguards.

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYH5886

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 4,677.56 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 1,059.65 |
| 2.2 | Unrealised Appreciation Reserve | 2,654.64 |
| 2.3 | Other Reserves | 825.41 |
| 2.4 | Other Current Liabilities & Provisions | 112.46 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 112.45 |
| | TOTAL | 9,329.72 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 9,188.22 |
| 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 | 9,188.22 |
| 2 | Deposits | 22.82 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 15.12 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 39.23 |
| 3.3 | Others | 103.54 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 9,329.72 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 158.51 | 93.82 |
| 1.2 Interest | 4.27 | 1.71 |
| 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 | 168.02 | 411.86 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 6.78 | 1.49 |
| (A) | 337.58 | 508.88 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 9.39 | 3.86 |
| 2.2 GST/Service Tax on Management Fees | 1.69 | 0.69 |
| 2.3 Transfer Agents Fees and Expenses | 7.35 | 6.65 |
| 2.4 Custodian Fees | 0.45 | 0.57 |
| 2.5 Trusteeship Fees | 0.07 | 0.05 |
| 2.6 Commission to Agents | 16.19 | 17.42 |
| 2.7 Marketing & Distribution Expenses | 0.20 | 0.26 |
| 2.8 Audit Fees | 0.14 | 0.09 |
| 2.9 Investor Education Expenses | 1.39 | 1.55 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 5.63 | 8.35 |
| (B) | 42.50 | 39.49 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) | 295.08 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) | 295.08 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | (357.98) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) | 1,323.26 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 357.98 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 853.87 |
| 7.3 Add/(Less) : Equalisation | 743.84 | 124.37 |
| 7.4 Transfer from Reserve Fund | 825.40 | 231.65 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 1,864.32 | 825.41 |
| 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 | 1,864.32 | 825.41 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 19.6330 | 16.431 |
| Regular Plan – IDCW Option | 19.6320 | 16.431 |
| Direct Plan – Growth Option | 19.8030 | 16.499 |
| Direct Plan – IDCW Option | 19.8030 | 16.499 |
| High | | |
| Regular Plan – Growth Option | 21.2834 | 20.744 |
| Regular Plan – IDCW Option | 21.2834 | 20.744 |
| Direct Plan – Growth Option | 21.5108 | 20.882 |
| Direct Plan – IDCW Option | 21.5107 | 20.882 |
| Low | | |
| Regular Plan – Growth Option | 19.1631 | 15.985 |
| Regular Plan – IDCW Option | 19.1631 | 15.985 |
| Direct Plan – Growth Option | 19.3827 | 16.055 |
| Direct Plan – IDCW Option | 19.3827 | 16.055 |
| End | | |
| Regular Plan – Growth Option | 19.6277 | 19.633 |
| Regular Plan – IDCW Option | 19.6277 | 19.632 |
| Direct Plan – Growth Option | 19.8536 | 19.803 |
| Direct Plan – IDCW Option | 19.8535 | 19.803 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 16,504 | 9,217 |
| Average (AAuM) ¹ | 11,530 | 7,760 |
| 3. Gross income as % of AAuM ² | | |
| | 2.93% | 6.56% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.48% | 0.70% |
| Direct Plan | 0.21% | 0.25% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.09% | 0.07% |
| Direct Plan | 0.06% | 0.02% |
| 5. Net Income as a percentage of AAuM ³ | | |
| | 2.56% | 6.05% |
| 6. Portfolio turnover ratio ⁴ | | |
| | 0.06 | 0.16 |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | – | – |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| Corporate | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | – | – |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan – Growth Option | -0.03% | 19.49% |
| Direct Plan – Growth Option | 0.26% | 20.03% |
| Benchmark | | |
| Nifty 50 TRI | 0.59% | 20.26% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan – Growth Option | 25.60% | 41.11% |
| Direct Plan – Growth Option | 26.08% | 41.74% |
| Benchmark | | |
| Nifty 50 TRI | 26.62% | 42.41% |

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, 2023

1 Investments:

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 are Nil.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was as under -

(Rupees)

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes | Amount | Aggregate Investments by all schemes |
|-------------------------|-----------------|---------|--------------------------------------|------------|--------------------------------------|
| | | 2022-23 | | 2021-22 | |
| Larsen & Toubro Limited | Equity | Nil | | 25,675,116 | 4,752,894,441 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under :

| Security Category | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|-------------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Equity | | | | |
| - Appreciation | 243,785,518 | 14.77% | 270,496,249 | 29.35% |
| - Depreciation | 14,119,469 | 0.86% | 5,031,981 | 0.55% |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 833,237,610 and Rs. 86,717,222 respectively being 72.27% and 7.52% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 297,833,639 and Rs. 125,811,941 respectively being 38.38% and 16.21% of the average 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:

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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

During the year 2022-23, 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 2021-22, 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 | Group Company | 2022-2023 | 49.54 | 49.60 | 116,780 | 7.97 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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 | 2022-2023 | Nil | | | |
| HSBC Securities & Capital Markets (India) Private Limited | Sponsor | 2021-2022 | Nil | | | |

- 3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|-----------------------------|----------------|----------------|---------------|----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 26,094,553.016 | 34,857,208.827 | 8,072,842.666 | 52,878,919.177 | 10 |
| Regular Plan IDCW Option | 721,044.060 | 554,951.966 | 197,121.873 | 1,078,874.153 | 10 |
| Direct Plan Growth Option** | 19,606,417.958 | 14,592,055.655 | 4,844,810.665 | 29,353,662.948 | 10 |
| Direct Plan IDCW Option | 353,560.288 | 270,591.400 | 158,133.642 | 466,018.046 | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| Description | 2021-22 | | | | |
|-----------------------------|----------------|----------------|---------------|----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 20,520,894.168 | 11,408,528.712 | 5,834,869.864 | 26,094,553.016 | 10 |
| Regular Plan IDCW Option | 627,111.201 | 234,799.803 | 140,866.944 | 721,044.060 | 10 |
| Direct Plan Growth Option** | 16,391,653.137 | 10,545,279.770 | 7,330,514.949 | 19,606,417.958 | 10 |
| Direct Plan IDCW Option | 263,437.008 | 168,875.009 | 78,751.729 | 353,560.288 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 500,000 & as on March 31, 2022 is 500,000.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than management fee & audit fee are inclusive of GST wherever applicable.
- 8 Other income of Rs. 678,083/- represents Exit load credited to the scheme. (2022: Rs. 148,626/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023****13 Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Nifty 50 Index Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Nifty Next 50 Index Fund **(Erstwhile L&T Nifty Next 50 Index)**

Index Fund - An open ended Equity Scheme tracking NIFTY Next 50 Index.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Nifty Next 50 Index Fund (Erstwhile L&T Nifty Next 50 Index Fund) (HNNI-50) (Index Fund - An open ended Equity Scheme tracking NIFTY Next 50 Index)

The scheme has adopted a passive investment strategy. The scheme invests in stocks comprising the Nifty Next 50 index in the same proportion as in the index with the objective of achieving returns equivalent to the Total Returns Index of Nifty Next 50 index by minimizing the performance difference between the benchmark index and the Scheme. The Total Returns Index is an index that reflects the returns on the index from index

Trustees' Report

For the year ended March 31, 2023 (Contd...)

gain/loss plus dividend payments by the constituent stocks. There is no assurance that the investment objective of the Scheme will be realized.

The net assets of HNNI-50 amounted to INR 57.79 crores as at March 31, 2023 as against INR 47.69 crores as at March 31, 2022. Around 100.03% of the net assets were invested in equities, 0.53% of the net assets were invested in reverse repos/TREPS and (-0.56%) in net current assets as at March 31, 2023.



HNNI-50 invests predominantly in stocks constituting the underlying index in the same proportion as in the Index and endeavors to track the benchmark index. A very small portion (0-5% of the Net Assets) of the fund may be kept liquid to meet the liquidity and expense requirements.

| HSBC Nifty Next 50 Index Fund | | | | Date of Inception : 15 April, 2020 | | | | |
|--|---------------|----------------|---------------|------------------------------------|---------------|----------------|-----------------|----------------|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Nifty Next 50 Index Fund | 9,166 | -8.34 | NA | NA | NA | NA | 16,267 | 17.87 |
| Scheme Benchmark (Nifty Next 50 TRI) | 9,266 | -7.34 | NA | NA | NA | NA | 16,813 | 19.19 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | NA | NA | NA | NA | 20,105 | 26.62 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-------------------------------|--|--|
| HSBC Nifty Next 50 Index Fund |  <p>RISKOMETER</p> <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: Nifty Next 50 TRI</p>  <p>RISKOMETER</p> |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

Trustees' Report

For the year ended March 31, 2023 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

Trustees' Report

For the year ended March 31, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|-------------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Nifty Next 50 Index Fund | - | - | 4 | 17,074.16 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|-----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-------------------|--------------|--------------|--------------|---------------|
| Com-plaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorskhaj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|-------------------------------|---|---|--|
| HSBC Nifty Next 50 Index Fund | Very High | Very High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd..)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Nifty Next 50 Index Fund (Erstwhile Known As L&T Nifty Next 50 Index Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC NIFTY NEXT 50 INDEX FUND** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth

Independent Auditors' Report (Contd...)

Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYI2795

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 2,675.78 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 491.44 |
| 2.2 | Unrealised Appreciation Reserve | 543.61 |
| 2.3 | Other Reserves | 1,061.83 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 915.35 |
| | TOTAL | 5,816.79 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 4,756.81 |
| 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 | 4,756.81 |
| 2 | Deposits | 208.47 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 4.73 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 127.04 |
| 3.3 | Others | 590.96 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 5,816.79 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 96.64 | 56.09 |
| 1.2 Interest | 1.63 | 1.03 |
| 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 | 156.41 | 343.26 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | — | — |
| 1.7 Other Income | 0.43 | 0.73 |
| (A) | 255.11 | 401.11 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 11.60 | 4.84 |
| 2.2 GST/Service Tax on Management Fees | 2.09 | 0.87 |
| 2.3 Transfer Agents Fees and Expenses | 3.90 | 3.32 |
| 2.4 Custodian Fees | 0.30 | 0.41 |
| 2.5 Trusteeship Fees | 0.04 | 0.02 |
| 2.6 Commission to Agents | 8.88 | 7.24 |
| 2.7 Marketing & Distribution Expenses | 0.19 | 0.26 |
| 2.8 Audit Fees | 0.07 | 0.04 |
| 2.9 Investor Education Expenses | 0.69 | 0.73 |
| 2.10 Interest on Borrowing | — | — |
| 2.11 Other Operating Expenses | 2.08 | 2.34 |
| (B) | 29.84 | 20.07 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR | (C = A - B) | 225.27 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | (168.93) |
| 5 NET GAINS / (LOSSES) FOR THE YEAR | (E = C + D) | 56.34 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | 141.23 |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR | (G = E + F) | 522.27 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 543.61 | — |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | — | 141.23 |
| 7.3 Add/(Less) : Equalisation | 352.44 | 313.11 |
| 7.4 Transfer from Reserve Fund | 1,061.83 | 367.68 |
| 7.5 Transfer from Unit Premium Reserve | — | — |
| 8 Total | 1,470.61 | 1,061.83 |
| 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 | 1,470.61 | 1,061.83 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 17.7460 | 14.755 |
| Regular Plan - IDCW Option | 17.7450 | 14.755 |
| Direct Plan - Growth Option | 17.9040 | 14.819 |
| Direct Plan - IDCW Option | 17.9040 | 14.819 |
| High | | |
| Regular Plan - Growth Option | 18.9793 | 19.249 |
| Regular Plan - IDCW Option | 18.9794 | 19.249 |
| Direct Plan - Growth Option | 19.2073 | 19.380 |
| Direct Plan - IDCW Option | 19.2073 | 19.380 |
| Low | | |
| Regular Plan - Growth Option | 15.9139 | 14.552 |
| Regular Plan - IDCW Option | 15.9140 | 14.552 |
| Direct Plan - Growth Option | 16.1270 | 14.617 |
| Direct Plan - IDCW Option | 16.1269 | 14.617 |
| End | | |
| Regular Plan - Growth Option | 16.2667 | 17.746 |
| Regular Plan - IDCW Option | 16.2668 | 17.745 |
| Direct Plan - Growth Option | 16.4850 | 17.904 |
| Direct Plan - IDCW Option | 16.4850 | 17.904 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 5,779 | 4,773 |
| Average (AAuM) ¹ | 5,652 | 3,643 |
| 3. Gross income as % of AAuM ² | 4.51% | 11.01% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.80% | 0.78% |
| Direct Plan | 0.35% | 0.34% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.23% | 0.15% |
| Direct Plan | 0.19% | 0.12% |
| 5. Net Income as a percentage of AAuM ³ | 3.99% | 10.46% |
| 6. Portfolio turnover ratio ⁴ | 0.53 | 0.52 |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | - | - |
| Direct Plan - IDCW Option | - | - |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| Corporate | | |
| Regular Plan - IDCW Option | - | - |
| Direct Plan - IDCW Option | - | - |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | -8.34% | 20.27% |
| Direct Plan - Growth Option | -7.93% | 20.82% |
| Benchmark | | |
| Nifty Next 50 TRI | -7.34% | 21.58% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 17.87% | 34.02% |
| Direct Plan - Growth Option | 18.41% | 34.63% |
| Benchmark | | |
| Nifty Next 50 TRI | 19.19% | 35.54% |

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, 2023

1 Investments:

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 are Nil.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 is Nil.

(Rupees)

| Issuer | Instrument Type | Amount | Aggregate Investments | Amount | Aggregate Investments |
|----------------------|-----------------|---------|-----------------------|------------|-----------------------|
| | | 2022-23 | | 2021-22 | |
| L&T Infotech Limited | Equity | NIL | | 11,535,220 | 844,053,070 |
| Mindtree Limited | Equity | NIL | | 11,376,868 | 1,218,426,376 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2023 and March 31, 2022.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under :

| Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|----------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Equity | | | | |
| - Appreciation | 37,772,875 | 6.54% | 64,669,745 | 13.55% |
| - Depreciation | 54,665,983 | 9.46% | 10,308,758 | 2.16% |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 460,448,469 and Rs. 302,477,061 respectively being 81.47% and 53.52% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 366,873,195 and Rs. 190,307,270 respectively being 100.70% and 52.24% of the average net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments was NIL.

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

During the year 2022-23, 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.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

During the year 2021-22, 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/ Investment Manager and its associates/related parties/group companies | Nature of Association /Nature of relation | Period Covered | Business Given [Rs. In Crores] | % of Total Business given by the Fund | Commission paid [Rs.] | % of Total Commission paid by the Fund |
|--|---|----------------|--------------------------------|---------------------------------------|-----------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 0.22 | 0.84 | 751.80 | 0.09 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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 | 2022-2023 | Nil | | | |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | Nil | | | |

- 3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|--------------------------------|----------------|---------------|---------------|----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 11,169,994.455 | 4,624,775.060 | 2,820,851.454 | 12,973,918.061 | 10 |
| Regular Plan - IDCW Option | 241,057.602 | 39,826.396 | 79,575.213 | 201,308.785 | 10 |
| Direct Plan - Growth Option ** | 15,113,706.763 | 9,848,985.764 | 3,131,390.496 | 21,831,302.031 | 10 |
| Direct Plan IDCW | 233,023.608 | 132,146.425 | 100,166.283 | 265,003.750 | 10 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| | 2021-22 | | | | |
|--------------------------------|---------------|----------------|---------------|----------------|----|
| Regular Plan - Growth Option | 9,644,983.432 | 4,592,769.681 | 3,067,758.658 | 11,169,994.455 | 10 |
| Regular Plan - IDCW Option | 244,100.500 | 54,268.573 | 57,311.471 | 241,057.602 | 10 |
| Direct Plan - Growth Option ** | 6,981,972.972 | 10,785,692.731 | 2,653,958.940 | 15,113,706.763 | 10 |
| Direct Plan IDCW Option | 214,873.184 | 134,240.931 | 116,090.507 | 233,023.608 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 500,000 & as on March 31, 2022 is 500,000.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year/period ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 43,275/- represents Exit load credited to the scheme. (2022: Rs. 72,644/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)
- 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|-------------------------------|---|---|--|
| HSBC Nifty Next 50 Index Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/RAC 2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Aggressive Hybrid Fund (Erstwhile L&T Hybrid Equity Fund)

Aggressive Hybrid fund – An open ended hybrid scheme investing predominantly in equity and equity related instruments.

Abridged Annual Report 2022 - 2023



HSBC Mutual Fund

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ("Fund") presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Aggressive Hybrid Fund (erstwhile L&T Hybrid Equity Fund) (HAHF)

(Hybrid Fund - An open ended hybrid scheme investing predominantly in equity and equity related instruments.)

The investment objective of the scheme is to seek 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HAHF amounted to INR 4600.86 crores as at March 31, 2023 as against INR 5020.11 crores as at March 31, 2022. Around 77.06% of the net assets were invested in equities, 20.40% of the net assets were invested in debt, 2.56% of the net assets were invested in reverse repos/TREPS and (-0.02%) in net current assets as at March 31, 2023.

The aim of HAHF is to seek a balance between long term growth and stability from an actively managed portfolio of equity and equity related securities and fixed income instruments. HAHF endeavors to achieve this by maintaining a minimum of 65% allocation to equity and equity related securities and at least 20% allocation to fixed income securities including money market instruments.



In the first half of the year, the fund underperformed. Underweight in metals and PSU banks hurt the performance. Also underweight in stocks such as ITC led to underperformance. The fund largely has growth and blend bias and hence the underweight in the above sectors. Also taking cognizance of the global volatility and factors such as China not rebounding as expected post opening up of Covid restrictions, recession expected in developed markets such as US and Europe, sectors such as metals have been underweight.

The second half of the year, has seen good recovery in fund performance. We expect the capex cycle revival and PLI schemes to benefit the manufacturing space, hence the fund is largely positioned in that manner. Also, we expect Auto and discretionary consumption space to do well specially on the premium end. This is well reflected in our portfolio.

| HSBC Aggressive Hybrid Fund | | Date of Inception : 7 February, 2011 | | | | | | | |
|---|---------------|--------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Aggressive Hybrid Fund | 9,795 | -2.05 | 16,873 | 19.05 | 14,187 | 7.23 | 36,279 | 11.19 | |
| Scheme Benchmark (NIFTY 50 Hybrid Composite Debt 65:35 Index) | 10,189 | 1.89 | 17,352 | 20.17 | 17,104 | 11.31 | 34,031 | 10.60 | |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 37,298 | 11.44 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-----------------------------|--|--|
| HSBC Aggressive Hybrid Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: CRISIL Hybrid 35+65 Aggressive Index</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DILs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DILs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DILs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to

Trustees' Report

For the year ended March 31, 2023 (Contd...)

monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP00001322.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|-----------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Aggressive Hybrid Fund | 1,135 | 2,425,157.63 | 248 | 7,994,006.24 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| | | 2022-2023 | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for

Trustees' Report

For the year ended March 31, 2023 (Contd...)

engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|-----------------------------|---|---|--|
| HSBC Aggressive Hybrid Fund | Very High | Very High | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Aggressive Hybrid Fund (Erstwhile known as L&T Hybrid Equity Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Aggressive Hybrid Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and

Independent Auditors' Report (Contd...)

detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated २२July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXT5636

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 146,110.28 |
| | 137,517.45 | |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 85,260.01 |
| 2.2 | Unrealised Appreciation Reserve | 82,607.68 |
| 2.3 | Other Reserves | 187,787.07 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 5,621.80 |
| | 4,232.02 | |
| | 463,954.17 | 507,386.84 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 369,798.12 |
| 1.1.2 | Preference Shares | - |
| 1.1.3 | Equity Linked Debentures | - |
| 1.1.4 | Other Debentures & Bonds | 41,094.78 |
| 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 | 945.95 |
| 1.7 | Certificate of Deposits | 63,344.05 |
| 1.8 | Bill Rediscounting | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | 3,800.62 | |
| | 74,971.85 | |
| | 446,362.82 | 475,182.90 |
| 2 | Deposits | 2,576.87 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 192.78 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 20,503.11 |
| 3.3 | Others | 8,931.18 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | 463,954.17 | 507,386.84 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 2,835.42 | 3,373.78 |
| 1.2 Interest | 7,393.90 | 8,173.28 |
| 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 | 35,858.11 | 89,304.13 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 18.23 | 67.76 |
| | (A) 46,105.66 | 100,918.95 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 3,051.70 | 3,572.98 |
| 2.2 GST on Management Fees | 549.31 | 643.13 |
| 2.3 Transfer Agents Fees and Expenses | 342.30 | 375.32 |
| 2.4 Custodian Fees | 8.83 | 14.72 |
| 2.5 Trusteeship Fees | 3.07 | 3.75 |
| 2.6 Commission to Agents | 4,437.59 | 4,912.13 |
| 2.7 Marketing & Distribution Expenses | 4.51 | 1.49 |
| 2.8 Audit Fees | 5.52 | 6.17 |
| 2.9 Investor Education Expenses | 93.34 | 106.83 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 44.63 | 34.36 |
| | (B) 8,540.80 | 9,670.88 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) 37,564.86 | 91,248.07 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) (937.40) | (632.32) |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) 36,627.46 | 90,615.75 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) (48,111.35) | (15,297.99) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) (11,483.89) | 75,317.76 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 48,111.35 | 15,297.99 |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 Add/(Less) : Equalisation | (9,636.41) | (29,965.84) |
| 7.4 Transfer from Reserve Fund | 187,787.07 | 131,992.31 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 214,778.12 | 192,642.22 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (4,395.08) | (4,855.16) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 210,383.04 | 187,787.06 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 36.8890 | 32.174 |
| Regular Plan - IDCW Option | 24.5690 | 22.864 |
| Regular Plan - Annual IDCW Option | 15.3370 | 14.169 |
| Direct Plan - Growth Option | 40.5060 | 34.977 |
| Direct Plan - IDCW Option | 28.0540 | 25.867 |
| Direct Plan - Annual IDCW Option | 16.5730 | 15.139 |
| High | | |
| Regular Plan - Growth Option | 37.5140 | 39.310 |
| Regular Plan - IDCW Option | 24.9850 | 26.680 |
| Regular Plan - Annual IDCW Option | 15.5970 | 17.312 |
| Direct Plan - Growth Option | 41.4722 | 43.079 |
| Direct Plan - IDCW Option | 28.5330 | 30.360 |
| Direct Plan - Annual IDCW Option | 16.9685 | 18.646 |
| Low | | |
| Regular Plan - Growth Option | 32.2390 | 31.862 |
| Regular Plan - IDCW Option | 21.2140 | 22.642 |
| Regular Plan - Annual IDCW Option | 13.4040 | 14.032 |
| Direct Plan - Growth Option | 35.4810 | 34.647 |
| Direct Plan - IDCW Option | 24.2780 | 25.623 |
| Direct Plan - Annual IDCW Option | 14.5170 | 14.996 |
| End | | |
| Regular Plan - Growth Option | 36.1267 | 36.889 |
| Regular Plan - IDCW Option | 22.3562 | 24.569 |
| Regular Plan - Annual IDCW Option | 13.8096 | 15.337 |
| Direct Plan - Growth Option | 40.0782 | 40.506 |
| Direct Plan - IDCW Option | 25.7989 | 28.054 |
| Direct Plan - Annual IDCW Option | 15.1864 | 16.573 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 460,086 | 501,765 |
| Average (AAuM) ¹ | 466,682 | 534,086 |
| 3. Gross income as % of AAuM ² | 9.88% | 18.90% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.91% | 1.89% |
| Direct Plan | 0.88% | 0.89% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.66% | 0.67% |
| Direct Plan | 0.65% | 0.67% |
| 5. Net Income as a percentage of AAuM ³ | 8.05% | 17.08% |
| 6. Portfolio turnover ratio ⁴ | 0.76 | 0.68 |

Key Statistics for the year ended March 31, 2023 (Contd..)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 0.84 | 1.59 |
| Direct Plan - IDCW Option | 0.96 | 1.83 |
| Regular Plan - Annual IDCW Option | 1.20 | 0.90 |
| Direct Plan - Annual IDCW Option | 1.20 | 0.95 |
| Corporate | | |
| Regular Plan - IDCW Option | 0.84 | 1.59 |
| Direct Plan - IDCW Option | 0.96 | 1.83 |
| Regular Plan - Annual IDCW Option | 1.20 | 0.90 |
| Direct Plan - Annual IDCW Option | 1.20 | 0.95 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | -2.05% | 14.65% |
| Direct Plan - Growth Option | -1.04% | 15.81% |
| Benchmark | | |
| NIFTY 50 Hybrid Composite Debt 65:35 Index | 1.89% | 15.29% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 11.19% | 12.42% |
| Direct Plan - Growth Option | 12.93% | 14.54% |
| Benchmark | | |
| NIFTY 50 Hybrid Composite Debt 65:35 Index | 10.61% | 11.82% |

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, 2023

1 Investments:

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 is Nil.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 is as under:

(Rupees)

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes | Amount | Aggregate Investments by all schemes |
|-----------------------------------|-----------------|----------------|--------------------------------------|----------------|--------------------------------------|
| | | March 31, 2023 | | March 31, 2022 | |
| L & T Technology Services Limited | Equity | - | - | 392,597,570 | 652,967,870 |
| Mindtree Limited | Equity | - | - | 532,268,730 | 1,218,426,376 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2023 and March 31, 2022.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under :

| Scheme Name/ Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Equity Shares | | | | |
| - Appreciation | 4,462,320,313 | 9.70% | 8,949,327,664 | 17.84% |
| - Depreciation | 1,012,687,772 | 2.20% | 688,559,698 | 1.37% |
| Bonds & Debentures | | | | |
| - Appreciation | 1,893,100 | 0.00%~ | 14,913,508 | 0.03% |
| - Depreciation | 34,378,004 | 0.07% | 60,646,457 | 0.12% |
| Central and State Government Securities | | | | |
| - Appreciation | 10,185,766 | 0.02% | 6,526,705 | 0.01% |
| - Depreciation | 202,526,955 | 0.44% | 91,352,370 | 0.18% |
| Commercial Papers / Certificate of Deposits | | | | |
| - Appreciation | 314,664 | 0.00%~ | - | - |
| - Depreciation | 363,830 | 0.00%~ | 576,600 | 0.00%~ |

(~) - Indicates less than 0.01%

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 34,781,703,038 and Rs. 40,811,558,482 respectively being 74.53% and 87.45% of the average net assets.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 36,160,565,873 and Rs. 47,441,801,516 respectively being 67.71% and 88.83% of the average net assets.

1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments was NIL.

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

During the year 2022-23, 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 2021-22, 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/Investment Manager and its associates/related parties/group companies | Nature of Association /Nature of relation | Period Covered | Business Given [Rs. In Crores] | % of Total Business given by the Fund | Commission paid [Rs.] | % of Total Commission paid by the Fund |
|---|---|----------------|--------------------------------|---------------------------------------|-----------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 42.18 | 27,999,712 | 6.36 | |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | | | Nil | |

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 | 2022-2023 | 223.98 | 3.66 | 2,687,652 | 4.46 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | - | - | - | - |

3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.

4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|------------------------------|-------------------|-----------------|-----------------|-------------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 1,072,563,407.318 | 181,811,300.727 | 210,389,640.644 | 1,043,985,067.401 | 10 |
| Regular Plan - IDCW Option | 237,331,874.994 | 8,090,514.553 | 48,134,026.323 | 197,288,363.224 | 10 |
| Annual IDCW | 47,142,694.820 | 14,037,274.998 | 9,476,700.541 | 51,703,269.277 | 10 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| Description | 2022-23 | | | | |
|-----------------------------------|-------------------|----------------|-----------------|-------------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Direct Plan Growth Option** | 93,921,432.064 | 9,180,863.803 | 30,308,551.337 | 72,793,744.530 | 10 |
| Direct Plan - IDCW Option | 7,349,249.295 | 210,219.514 | 809,230.402 | 6,750,238.407 | 10 |
| Direct Plan - Annual IDCW | 2,794,141.517 | 210,141.952 | 350,454.458 | 2,653,829.011 | 10 |
| 2021-22 | | | | | |
| Regular Plan - Growth Option | 1,282,484,992.791 | 63,771,234.329 | 273,692,819.802 | 1,072,563,407.318 | 10 |
| Regular Plan - IDCW Option | 319,218,123.130 | 4,878,681.610 | 86,764,929.746 | 237,331,874.994 | 10 |
| Regular Plan - Annual IDCW Option | 57,191,244.949 | 1,397,761.006 | 11,446,311.135 | 47,142,694.820 | 10 |
| Direct Plan - Growth Option** | 120,279,325.326 | 19,440,811.532 | 45,798,704.794 | 93,921,432.064 | 10 |
| Direct Plan - IDCW Option | 8,478,336.656 | 469,156.940 | 1,598,244.301 | 7,349,249.295 | 10 |
| Direct Plan - Annual IDCW Option | 3,148,014.919 | 192,344.565 | 546,217.967 | 2,794,141.517 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 1,715,954.51 & as on March 31, 2022 is 255,493.102.

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognised nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 1,822,639/- represents Exit load credited to the scheme. (2022: Rs. 6,776,151/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)
- 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|--------------------|----------------|
| | Amount | Amount |
| Amount | Amount | |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|-----------------------------|---|---|--|
| HSBC Aggressive Hybrid Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Equity Savings Fund **(Erstwhile L&T Equity Savings Fund)**

An open ended scheme investing in equity, arbitrage and debt.

Abridged Annual Report 2022 - 2023

 **HSBC** Mutual Fund

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

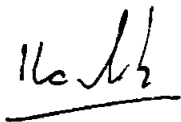
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Equity Savings Fund (Erstwhile L&T Equity Savings Fund) (HESF)

(An open ended scheme investing in equity, arbitrage and debt)

The investment objective of the scheme is to generate regular income by predominantly investing in arbitrage opportunities in the cash and derivatives segments of the equity markets and debt and money market instruments and to generate long-term capital appreciation through unhedged exposure to equity and equity

Trustees' Report

For the year ended March 31, 2023 (Contd...)

related instruments. There is no assurance that the objective of the scheme will be realised and the scheme does not assure or guarantee any returns.

The net assets of HESF stood to INR 138.20 crores as at March 31, 2023 as against INR 215.83 crores as at March 31, 2022. Around 67.7% of the net assets were invested in equities, 28.37% of the net assets were invested in Debt, 3.96% of the net assets were invested in reverse repos/TREPS and (-0.03%) in net current assets as at March 31, 2023.

The asset allocation between equity and debt is decided by the fund manager depending on the prevailing market and economic conditions. Among the metrics considered for deciding the debt-equity mix at any point of time are the interest rate cycle, equity valuations (P/E, P/BV, Dividend Yield, Earnings Yield, Market cap to GDP ratio etc.), medium to long term outlook of the asset class, etc.



During the year, the fund managers increased the allocation in equity – which has seen good returns in the overall market has helped the scheme. Additionally, some good picks in NBFC, Hospitality and IT space helped the performance.

Within equity, the HESF was overweight in midcap and small cap which led to underperformance. However, going forward we expect better recovery in mid and small cap space and hence the positioning of the scheme.

| HSBC Equity Savings Fund | | Date of Inception : 18 October, 2011 | | | | | | |
|--|---------------|--------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Equity Savings Fund | 10,179 | 1.79 | 15,359 | 15.38 | 13,831 | 6.69 | 23,677 | 7.81 |
| Scheme Benchmark (NIFTY Equity Savings Index) | 10,352 | 3.52 | 14,385 | 12.89 | 15,114 | 8.59 | 27,796 | 9.33 |
| Additional Benchmark (CRISIL 10 Year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 20,930 | 6.66 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--------------------------|--|--|
| HSBC Equity Savings Fund |  <p>Investors understand that their principal will be at Moderately High risk</p> | <p>Benchmark Index: NIFTY Equity Savings Index</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DII's saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|--------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Equity Savings Fund | 220 | 212,603.12 | 29 | 508,317.33 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| | | 2022-2023 | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 | |
| IA | Non receipt of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |

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For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| III B | Unauthorized switch between Schemes | 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 | |
| III D | Wrong or excess charges/load | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by AdvisorKhoj on

Trustees' Report

For the year ended March 31, 2023 (Contd...)

IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Equity Savings Fund | Moderate | Moderately High | 1 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Equity Savings Fund (Erstwhile known as L&T Equity Savings Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Equity Savings Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report *(Contd...)*

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXY8181

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 | |
|--------------------|---|-------------------------|------------------|
| LIABILITIES | | | |
| 1 | Unit Capital | 6,072.40 | 9,511.67 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | 1,385.55 | 2,392.48 |
| 2.2 | Unrealised Appreciation Reserve | 57.24 | 692.59 |
| 2.3 | Other Reserves | 6,301.85 | 9,045.96 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income/Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 132.25 | 1,296.35 |
| | TOTAL | 13,949.29 | 22,939.05 |
| ASSETS | | | |
| 1 | Investments | | |
| 1.1 | Listed Securities: | | |
| 1.1.1 | Equity Shares | 9,357.21 | 15,723.45 |
| 1.1.2 | Preference Shares | - | - |
| 1.1.3 | Equity Linked Debentures | - | - |
| 1.1.4 | Other Debentures & Bonds | - | 94.08 |
| 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 | - | - |
| 1.5 | Treasury Bills | - | - |
| 1.6 | Commercial Paper | 931.44 | - |
| 1.7 | Certificate of Deposits | 2,931.37 | 5,051.03 |
| 1.8 | Bill Rediscounting | - | - |
| 1.9 | Units of Domestic Mutual Fund | - | - |
| 1.10 | Foreign Securities | - | - |
| | Total Investments | 13,220.02 | 20,868.56 |
| 2 | Deposits | 50.82 | 615.65 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 62.93 | 80.53 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 546.69 | 1,009.73 |
| 3.3 | Others | 68.83 | 364.57 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| | TOTAL | 13,949.29 | 22,939.05 |

Abridged Revenue Account for the year ended March 31, 2023

| | | Rs. in Lakhs | |
|------|--|---|--|
| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| 1 | INCOME | | |
| 1.1 | Dividend | 183.22 | 136.81 |
| 1.2 | Interest | 351.34 | 212.49 |
| 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 | (247.29) | 1,051.70 |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | 816.90 | 68.30 |
| 1.7 | Other Income | 2.19 | 2.06 |
| | (A) | 1,106.36 | 1,471.36 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | 86.63 | 56.03 |
| 2.2 | GST on Management Fees | 15.59 | 10.08 |
| 2.3 | Transfer Agents Fees and Expenses | 13.73 | 9.37 |
| 2.4 | Custodian Fees | 0.51 | 0.49 |
| 2.5 | Trusteeship Fees | 0.12 | 0.07 |
| 2.6 | Commission to Agents | 146.42 | 91.83 |
| 2.7 | Marketing & Distribution Expenses | 0.83 | 1.61 |
| 2.8 | Audit Fees | 0.22 | 0.14 |
| 2.9 | Investor Education Expenses | 3.67 | 2.40 |
| 2.10 | Interest on Borrowing | - | - |
| 2.11 | Other Operating Expenses | 5.01 | 5.24 |
| | (B) | 272.74 | 177.26 |
| 3 | NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 833.62 | 1,294.10 |
| 4 | Change in Unrealised Depreciation in Value of Investments (D) | 42.05 | (140.59) |
| 5 | NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 875.67 | 1,153.51 |
| 6 | Change in Unrealised Appreciation in Value of Investments (F) | (635.35) | (62.01) |
| 7 | NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 240.32 | 1,091.50 |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 635.35 | 62.01 |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 | Add/(Less) : Equalisation | (3,570.76) | 5,724.25 |
| 7.4 | Transfer from Reserve Fund | 9,045.96 | 2,218.36 |
| 7.5 | Transfer from Unit Premium Reserve | - | - |
| 8 | Total | 6,350.87 | 9,096.12 |
| 9 | Dividend Appropriation | | |
| 9.1 | Income Distributed during the Year | (49.03) | (50.16) |
| 9.2 | Tax on Income Distributed during the Year | - | - |
| 10 | Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 6,301.85 | 9,045.96 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 23.2610 | 20.599 |
| Regular Plan - Monthly IDCW Option | 13.2750 | 12.420 |
| Regular Plan - Quarterly IDCW Option | 14.0840 | 13.127 |
| Direct Plan - Growth Option | 25.0580 | 21.994 |
| Direct Plan - Monthly IDCW Option | 14.6740 | 13.623 |
| Direct Plan - Quarterly IDCW Option | 15.0950 | 13.938 |
| High | | |
| Regular Plan - Growth Option | 23.6767 | 23.292 |
| Regular Plan - Monthly IDCW Option | 13.3540 | 13.482 |
| Regular Plan - Quarterly IDCW Option | 14.1680 | 14.397 |
| Direct Plan - Growth Option | 25.7335 | 25.090 |
| Direct Plan - Monthly IDCW Option | 14.7640 | 14.860 |
| Direct Plan - Quarterly IDCW Option | 15.1870 | 15.349 |
| Low | | |
| Regular Plan - Growth Option | 22.1830 | 20.434 |
| Regular Plan - Monthly IDCW Option | 12.5420 | 12.318 |
| Regular Plan - Quarterly IDCW Option | 13.3730 | 13.022 |
| Direct Plan - Growth Option | 23.9430 | 21.827 |
| Direct Plan - Monthly IDCW Option | 13.8850 | 13.519 |
| Direct Plan - Quarterly IDCW Option | 14.3680 | 13.832 |
| End | | |
| Regular Plan - Growth Option | 23.6767 | 23.261 |
| Regular Plan - Monthly IDCW Option | 12.7348 | 13.275 |
| Regular Plan - Quarterly IDCW Option | 13.5374 | 14.084 |
| Direct Plan - Growth Option | 25.7335 | 25.058 |
| Direct Plan - Monthly IDCW Option | 14.1665 | 14.674 |
| Direct Plan - Quarterly IDCW Option | 14.6504 | 15.095 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 13,820 | 21,643 |
| Average (AAuM) ¹ | 18,329 | 11,986 |
| 3. Gross income as % of AAuM ² | 6.04% | 12.28% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.56% | 1.57% |
| Direct Plan | 0.67% | 0.68% |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.47% | 0.47% |
| Direct Plan | 0.46% | 0.45% |
| 5. Net Income as a percentage of AAuM ³ | 4.55% | 10.80% |
| 6. Portfolio turnover ratio ⁴ | 0.75 | 6.95 |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - Monthly IDCW Option | 0.76 | 0.72 |
| Regular Plan - Quarterly IDCW Option | 0.78 | 0.72 |
| Direct Plan - Monthly IDCW Option | 0.88 | 0.81 |
| Direct Plan - Quarterly IDCW Option | 0.83 | 0.76 |
| Corporate | | |
| Regular Plan - Monthly IDCW Option | 0.76 | 0.72 |
| Regular Plan - Quarterly IDCW Option | 0.78 | 0.72 |
| Direct Plan - Monthly IDCW Option | 0.88 | 0.81 |
| Direct Plan - Quarterly IDCW Option | 0.83 | 0.76 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 1.79% | 12.92% |
| Direct Plan - Growth Option | 2.70% | 13.94% |
| Benchmark | | |
| NIFTY Equity Savings Index | 3.52% | 9.95% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 7.81% | 8.41% |
| Direct Plan - Growth Option | 8.57% | 9.23% |
| Benchmark | | |
| NIFTY Equity Savings Index | 9.33% | 9.91% |

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, 2023

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 on year ended March 31, 2023 & period ended March 31, 2022 are as follows:

| 2022-23 | | | |
|--------------------------|--|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Equity Savings Fund | Laurus Labs Limited | 34 | 37400 |
| HSBC Equity Savings Fund | Trent Limited | 32 | 12800 |
| HSBC Equity Savings Fund | Zee Entertainment Enterprises Limited | 23 | 69000 |
| HSBC Equity Savings Fund | Mahanagar Gas Limited | 28 | 22400 |
| HSBC Equity Savings Fund | National Aluminium Company Limited | 56 | 420000 |
| HSBC Equity Savings Fund | HDFC Life Insurance Company Limited | 10 | 11000 |
| HSBC Equity Savings Fund | IndusInd Bank Limited | 39 | 17550 |
| HSBC Equity Savings Fund | Multi Commodity Exchange of India Limited | 14 | 5600 |
| HSBC Equity Savings Fund | United Spirits Limited | 184 | 115000 |
| HSBC Equity Savings Fund | Oracle Financial Services Software Limited | 15 | 3000 |
| HSBC Equity Savings Fund | Abbott India Limited | 3 | 120 |
| HSBC Equity Savings Fund | Bajaj Finance Limited | 60 | 7500 |
| HSBC Equity Savings Fund | RBL Bank Limited | 1 | 5000 |
| HSBC Equity Savings Fund | Tata Power Company Limited | 15 | 50625 |
| HSBC Equity Savings Fund | Ambuja Cements Limited | 67 | 120600 |
| HSBC Equity Savings Fund | Delta Corp Limited | 16 | 44800 |
| HSBC Equity Savings Fund | Hindustan Petroleum Corporation Limited | 8 | 21600 |
| HSBC Equity Savings Fund | Can Fin Homes Limited | 21 | 20475 |
| HSBC Equity Savings Fund | Glenmark Pharmaceuticals Limited | 3 | 4350 |
| HSBC Equity Savings Fund | Maruti Suzuki India Limited | 12 | 1200 |
| HSBC Equity Savings Fund | Steel Authority of India Limited | 36 | 288000 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

| 2021-22 | | | |
|--------------------------|---|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Equity Savings Fund | Bharat Petroleum Corporation Limited | 6 | 10,800 |
| HSBC Equity Savings Fund | Adani Ports and Special Economic Zone Limited | 1 | 2,500 |
| HSBC Equity Savings Fund | Bajaj Auto Limited | 16 | 4,000 |
| HSBC Equity Savings Fund | Pidilite Industries Limited | 13 | 6,500 |
| HSBC Equity Savings Fund | Indiabulls Housing Finance Limited | 22 | 68,200 |
| HSBC Equity Savings Fund | Power Grid Corporation of India Limited | 12 | 48,000 |
| HSBC Equity Savings Fund | SRF Limited | 19 | 2,375 |
| HSBC Equity Savings Fund | Housing Development Finance Corporation Limited | 44 | 13,200 |
| HSBC Equity Savings Fund | Tata Power Company Limited | 7 | 94,500 |
| HSBC Equity Savings Fund | ICICI Bank Limited | 44 | 60,500 |

- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was as under -

(Rupees)

| Issuer | Instrument Type | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) |
|------------------|-----------------|--------------|--|--------------|--|
| | | 2022-23 | | 2021-22 | |
| L&T Infotech Ltd | Equity | – | – | 14,157,420 | 844,053,070 |
| Mindtree Limited | Equity | – | – | 25,817,400 | 1,218,426,376 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 & March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentages to net assets are as under :

Notes to Accounts – Annexure I (Contd..)

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| Company Name | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|--------------|--------------------------|--------------|--------------------------|
| | 2023 | | 2022 | |
| Equity Shares | | | | |
| – Appreciation | 69,772,801 | 5.05% | 130,130,196 | 6.01% |
| – Depreciation | 64,154,174 | 4.64% | 60,881,209 | 2.81% |
| Government Securities | | | | |
| – Appreciation | 39,360 | ~0.00% | – | – |
| – Depreciation | 9,010,017 | 0.65% | 6,121,385 | 0.28% |
| Certificate of Deposit /Commercial Papers | | | | |
| – Appreciation | 105,305 | 0.01% | – | – |
| – Depreciation | – | – | – | – |
| Futures | | | | |
| – Appreciation | 1,695,461 | 0.12% | 3,528,599 | 0.16% |
| – Depreciation | 3,540,207 | 0.26% | 12,427,414 | 0.57% |

(–) - 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 period 2022 - 2023 (excluding accretion of discount) is Rs. 1,283,745,078 and Rs. 1,962,573,445 respectively being 70.04% and 107.07% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2021 - 2022 (excluding accretion of discount) is Rs. 2,796,433,984 and Rs. 1,355,693,536 respectively being 233.30% and 113.10% of the average net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets during the financial year March 31, 2023 and March 31, 2022 is NIL

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

| Name of Sponsor/ Investment Manager and its associates/ related parties/group companies | Nature of Association /Nature of relation | Period Covered | Business Given [Rs. In Crores] | % of Total Business given by the Fund | Commission paid [Rs.] | % of Total Commission paid by the Fund |
|---|---|----------------|--------------------------------|---------------------------------------|-----------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 3.16 | 7.08 | 33,885 | 0.25 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 | 2022-2023 | 13.50 | 0.66 | 58,988 | 1.44 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | Nil | | | |

- 3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 80,180,117.846 | 15,262,899.314 | 44,175,309.906 | 51,267,707.254 | 10 |
| Regular Plan - Monthly IDCW | 3,029,679.945 | 86,922.588 | 418,474.222 | 2,698,128.311 | 10 |
| Regular Plan - Quarterly IDCW | 3,059,057.597 | 81,253.452 | 566,686.902 | 2,573,624.147 | 10 |
| Direct Plan - Growth Option** | 8,275,803.212 | 3,377,804.978 | 8,258,292.503 | 3,395,315.687 | 10 |
| Direct Plan - Monthly IDCW | 352,381.415 | 277,840.688 | 50,448.383 | 579,773.720 | 10 |
| Direct Plan - Quarterly IDCW | 219,658.013 | 23,291.331 | 33,547.651 | 209,401.693 | 10 |

| Description | 2021-22 | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 26,413,056.212 | 77,775,098.462 | 24,008,036.828 | 80,180,117.846 | 10 |
| Regular Plan - Monthly IDCW | 3,720,894.223 | 358,528.819 | 1,049,743.097 | 3,029,679.945 | 10 |
| Regular Plan - Quarterly IDCW | 3,157,689.524 | 1,473,653.459 | 1,572,285.386 | 3,059,057.597 | 10 |
| Direct Plan - Growth Option** | 1,728,754.660 | 9,534,670.224 | 2,987,621.672 | 8,275,803.212 | 10 |
| Direct Plan - Monthly IDCW | 176,263.921 | 318,724.489 | 142,606.995 | 352,381.415 | 10 |
| Direct Plan - Quarterly IDCW | 128,870.708 | 102,726.277 | 11,938.972 | 219,658.013 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 276,931.598 & as on March 31, 2022 is 276,931.598.

Notes to Accounts – Annexure I (Contd..)

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 There were no contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than management fee & audit fee are inclusive of GST wherever applicable.
- 8 Other income of Rs. 2,19,470/- represents Exit load credited to the scheme. (2022: Rs. 205,606/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Equity Savings Fund | Moderately High | Moderate | 1 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Arbitrage Fund **(Erstwhile L&T Arbitrage Opportunities Fund)**

An open ended scheme investing in arbitrage opportunities.

Abridged Annual Report 2022 - 2023

 **HSBC** Mutual Fund

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

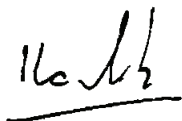
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Arbitrage Fund (erstwhile L&T Arbitrage Opportunities Fund) (HAF) **(Arbitrage Fund - An open ended scheme investing in arbitrage opportunities)**

The investment objective of the scheme is to seek to generate reasonable returns by predominantly investing in arbitrage opportunities in the cash and derivatives segments of the equity markets and by investing balance in debt and money market instruments. There is no assurance that the objective of the scheme will be realised and the scheme does not assure or guarantee any returns.

Trustees' Report

For the year ended March 31, 2023 (Contd...)



The net assets of HAF stood at INR 1955.60 crores as at March 31, 2023 as against INR 3409.19 crores as at March 31, 2022. Around 70.56% of the net assets were invested in equities, 20.04% of the net assets were invested in debt, 2.98% of the net assets were invested in reverse repos/TREPS, 5.25% of the net assets were invested in Mutual Fund units and 1.17% in net current assets as at March 31, 2023.

The investment strategy includes identifying and investing into arbitrage opportunities between spot/cash and futures prices of individual stocks. The scheme may also invest in debt and money market securities instruments. It will deploy "Cash and Carry Arbitrage" strategy wherein the Fund Manager will evaluate the difference between price of an individual stock in the futures market and in the spot/cash market. If the price of a stock in the futures market is higher than in the spot/cash market, after considering the associated costs and taxes, the scheme may buy the stock in the spot/cash market and sell the same in equal quantity in the futures market simultaneously. Similarly, the scheme may at a later date, unwind the trade by selling cash position and buying in the futures markets. The Fund Manager after careful analysis may also decide to roll over the position, if the market conditions are favorable. HAF has underperformed in one-year period compared to its benchmark index, as on March 31, 2023.

| HSBC Arbitrage Fund | | Date of Inception : 30 June, 2014 | | | | | | | |
|--|---------------|-----------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Arbitrage Fund | 10,476 | 4.76 | 11,268 | 4.06 | 12,701 | 4.89 | 16,251 | 5.70 | |
| Scheme Benchmark (Nifty 50 Arbitrage Index) | 10,524 | 5.24 | 11,181 | 3.79 | 12,499 | 4.55 | 15,699 | 5.29 | |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 25,352 | 11.21 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---------------------|---|--|
| HSBC Arbitrage Fund |  <p>Investors understand that their principal will be at Low risk</p> | <p>Benchmark Index: Nifty 50 Arbitrage Index</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high

Trustees' Report

For the year ended March 31, 2023 (Contd...)

valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still

Trustees' Report

For the year ended March 31, 2023 (Contd...)

trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which

Trustees' Report

For the year ended March 31, 2023 (Contd...)

markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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, 2023 (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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Arbitrage Fund | 8 | 21,244.55 | 4 | 84,417.18 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| | | 2022-2023 | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by AdvisorKhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Arbitrage Fund | Low | Low | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Arbitrage Fund (Erstwhile known as L&T Arbitrage Opportunities Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Arbitrage Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report (Contd...)

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYE4365

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 217,045.82 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 25,092.29 |
| 2.2 | Unrealised Appreciation Reserve | 5,481.58 |
| 2.3 | Other Reserves | 93,630.61 |
| 3 | Loans & Borrowings | – |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | – |
| 4.2 | Other Current Liabilities & Provisions | 5,830.66 |
| | TOTAL | 347,080.96 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 234,399.35 |
| 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 | 59,381.04 |
| 1.6 | Commercial Paper | 9,841.42 |
| 1.7 | Certificate of Deposits | 27,520.98 |
| 1.8 | Bill Rediscounting | – |
| 1.9 | Units of Domestic Mutual Fund | – |
| 1.10 | Foreign Securities | – |
| | Total Investments | 331,142.79 |
| 2 | Deposits | 1,065.24 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 191.15 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 10,741.74 |
| 3.3 | Others | 3,940.04 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | – |
| | TOTAL | 347,080.97 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 4,582.38 | 7,690.73 |
| 1.2 Interest | 4,481.27 | 5,846.44 |
| 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 | 5,247.53 | 85,687.57 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | 11,105.56 | (66,749.92) |
| 1.7 Other Income | 21.35 | 17.44 |
| (A) | 25,438.09 | 32,492.26 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 675.06 | 1,280.06 |
| 2.2 GST on Management Fees | 121.51 | 230.41 |
| 2.3 Transfer Agents Fees and Expenses | 47.90 | 76.69 |
| 2.4 Custodian Fees | 5.33 | 13.05 |
| 2.5 Trusteeship Fees | 1.76 | 3.40 |
| 2.6 Commission to Agents | 1,140.23 | 1,865.82 |
| 2.7 Marketing & Distribution Expenses | 1.35 | 0.42 |
| 2.8 Audit Fees | 3.22 | 5.53 |
| 2.9 Investor Education Expenses | 54.44 | 95.78 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 27.21 | 28.80 |
| (B) | 2,078.01 | 3,599.96 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 23,360.08 | 28,892.30 |
| 4 Change in Unrealised Depreciation in Value of Investments (D) | (5,260.56) | 388.27 |
| 5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 18,099.52 | 29,280.57 |
| 6 Change in Unrealised Appreciation in Value of Investments (F) | (5,283.25) | (11,270.56) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 12,816.27 | 18,010.01 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 5,283.25 | 11,270.56 |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 Add/(Less) : Equalisation | (47,525.81) | (14,724.96) |
| 7.4 Transfer from Reserve Fund | 93,630.62 | 79,219.54 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 64,204.33 | 93,775.15 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (254.05) | (144.54) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 63,950.28 | 93,630.61 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 15.5120 | 14.978 |
| Direct Plan - Growth Option | 16.2490 | 15.585 |
| Regular Plan - Monthly IDCW Option | 10.1610 | 10.164 |
| Regular Plan - Quarterly IDCW Option | 10.9450 | 10.752 |
| Direct Plan - Monthly IDCW Option | 10.4290 | 10.452 |
| Direct Plan - Quarterly IDCW Option | 11.1450 | 11.009 |
| High | | |
| Regular Plan - Growth Option | 16.2511 | 15.515 |
| Direct Plan - Growth Option | 17.1380 | 16.253 |
| Regular Plan - Monthly IDCW Option | 10.3054 | 10.210 |
| Regular Plan - Quarterly IDCW Option | 11.1579 | 11.050 |
| Direct Plan - Monthly IDCW Option | 10.4935 | 10.506 |
| Direct Plan - Quarterly IDCW Option | 11.4140 | 11.269 |
| Low | | |
| Regular Plan - Growth Option | 15.5130 | 14.969 |
| Direct Plan - Growth Option | 16.2520 | 15.576 |
| Regular Plan - Monthly IDCW Option | 10.1030 | 10.136 |
| Regular Plan - Quarterly IDCW Option | 10.9220 | 10.746 |
| Direct Plan - Monthly IDCW Option | 10.3470 | 10.405 |
| Direct Plan - Quarterly IDCW Option | 11.1380 | 11.002 |
| End | | |
| Regular Plan - Growth Option | 16.2511 | 15.512 |
| Direct Plan - Growth Option | 17.1380 | 16.249 |
| Regular Plan - Monthly IDCW Option | 10.3054 | 10.161 |
| Regular Plan - Quarterly IDCW Option | 11.1579 | 10.945 |
| Direct Plan - Monthly IDCW Option | 10.4935 | 10.429 |
| Direct Plan - Quarterly IDCW Option | 11.4140 | 11.145 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 195,560 | 341,250 |
| Average (AAuM) ¹ | 272,188 | 478,870 |
| 3. Gross income as % of AAuM ² | 9.35% | 6.79% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.01% | 1.03% |
| Direct Plan | 0.34% | 0.36% |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.25% | 0.27% |
| Direct Plan | 0.25% | 0.27% |
| 5. Net Income as a percentage of AAuM ³ | 8.58% | 0.06% |
| 6. Portfolio turnover ratio ⁴ | 2.99 | 13.12 |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - Monthly IDCW Option | 0.37 | 0.36 |
| Regular Plan - Quarterly IDCW Option | 0.30 | 0.19 |
| Direct Plan - Monthly IDCW Option | 0.54 | 0.46 |
| Direct Plan - Quarterly IDCW Option | 0.33 | 0.33 |
| Corporate | | |
| Regular Plan - Monthly IDCW Option | 0.37 | 0.36 |
| Regular Plan - Quarterly IDCW Option | 0.30 | 0.19 |
| Direct Plan - Monthly IDCW Option | 0.54 | 0.46 |
| Direct Plan - Quarterly IDCW Option | 0.33 | 0.33 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 4.76% | 3.57% |
| Direct Plan - Growth Option | 5.47% | 4.27% |
| Benchmark | | |
| Nifty 50 Arbitrage Index | 5.24% | 3.82% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 5.70% | 5.82% |
| Direct Plan - Growth Option | 6.35% | 6.46% |
| Benchmark | | |
| Nifty 50 Arbitrage Index | 5.29% | 5.29% |

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, 2023

1 Investments:

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 are as under:

| 2022-23 | | | |
|---------------------|--|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Arbitrage Fund | Power Grid Corporation of India Limited | 2 | 5,400 |
| HSBC Arbitrage Fund | Sun TV Network Limited | 1 | 1,500 |
| HSBC Arbitrage Fund | Aditya Birla Capital Limited | 149 | 804,600 |
| HSBC Arbitrage Fund | ACC Limited | 5 | 1,250 |
| HSBC Arbitrage Fund | Balrampur Chini Mills Limited | 1 | 1,600 |
| HSBC Arbitrage Fund | Bata India Limited | 69 | 18,975 |
| HSBC Arbitrage Fund | Colgate Palmolive (India) Limited | 2 | 700 |
| HSBC Arbitrage Fund | City Union Bank Limited | 132 | 660,000 |
| HSBC Arbitrage Fund | DLF Limited | 52 | 85,800 |
| HSBC Arbitrage Fund | Godrej Properties Limited | 198 | 84,150 |
| HSBC Arbitrage Fund | HDFC Bank Limited | 149 | 81,950 |
| HSBC Arbitrage Fund | Indraprastha Gas Limited | 136 | 187,000 |
| HSBC Arbitrage Fund | InterGlobe Aviation Limited | 2 | 600 |
| HSBC Arbitrage Fund | Infosys Limited | 14 | 5,600 |
| HSBC Arbitrage Fund | Kotak Mahindra Bank Limited | 1706 | 682,400 |
| HSBC Arbitrage Fund | Mahanagar Gas Limited | 83 | 66,400 |
| HSBC Arbitrage Fund | Max Financial Services Limited | 63 | 40,950 |
| HSBC Arbitrage Fund | Mphasis Limited | 20 | 5,500 |
| HSBC Arbitrage Fund | Info Edge (India) Limited | 9 | 1,125 |
| HSBC Arbitrage Fund | Oberoi Realty Limited | 306 | 214,200 |
| HSBC Arbitrage Fund | PI Industries Limited | 141 | 35,250 |
| HSBC Arbitrage Fund | Steel Authority of India Limited | 83 | 664,000 |
| HSBC Arbitrage Fund | UPL Limited | 1 | 1,300 |
| HSBC Arbitrage Fund | Vedanta Limited | 7 | 14,000 |
| HSBC Arbitrage Fund | Apollo Tyres Limited | 2 | 7,000 |
| HSBC Arbitrage Fund | Asian Paints Limited | 87 | 17,400 |
| HSBC Arbitrage Fund | Biocon Limited | 613 | 1,409,900 |
| HSBC Arbitrage Fund | BIRLASOFT LIMITED | 18 | 36,000 |
| HSBC Arbitrage Fund | Chambal Fertilizers & Chemicals Limited | 67 | 100,500 |
| HSBC Arbitrage Fund | Coromandel International Limited | 278 | 194,600 |
| HSBC Arbitrage Fund | Indiabulls Housing Finance Limited | 185 | 740,000 |
| HSBC Arbitrage Fund | Hindustan Petroleum Corporation Limited | 63 | 170,100 |
| HSBC Arbitrage Fund | IndusInd Bank Limited | 39 | 17,550 |
| HSBC Arbitrage Fund | IPCA Laboratories Limited | 27 | 17,550 |
| HSBC Arbitrage Fund | Mahindra & Mahindra Financial Services Limited | 330 | 1,320,000 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| 2022-23 | | | |
|---------------------|--|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Arbitrage Fund | National Aluminium Company Limited | 1 | 7,500 |
| HSBC Arbitrage Fund | Power Finance Corporation Limited | 862 | 5,344,400 |
| HSBC Arbitrage Fund | Sun Pharmaceutical Industries Limited | 367 | 256,900 |
| HSBC Arbitrage Fund | TATA Consumer Products Limited | 63 | 56,700 |
| HSBC Arbitrage Fund | Tata Steel Limited | 206 | 1,133,000 |
| HSBC Arbitrage Fund | United Breweries Limited | 17 | 6,800 |
| HSBC Arbitrage Fund | Aditya Birla Fashion and Retail Limited | 98 | 254,800 |
| HSBC Arbitrage Fund | Apollo Hospitals Enterprise Limited | 1 | 125 |
| HSBC Arbitrage Fund | Bandhan Bank Limited | 777 | 1,398,600 |
| HSBC Arbitrage Fund | Bharti Airtel Limited | 90 | 85,500 |
| HSBC Arbitrage Fund | Delta Corp Limited | 69 | 193,200 |
| HSBC Arbitrage Fund | Glenmark Pharmaceuticals Limited | 1 | 1,450 |
| HSBC Arbitrage Fund | Grasim Industries Limited | 6 | 2,850 |
| HSBC Arbitrage Fund | Honeywell Automation India Limited | 58 | 870 |
| HSBC Arbitrage Fund | ICICI Prudential Life Insurance Company Limited | 494 | 741,000 |
| HSBC Arbitrage Fund | Indian Oil Corporation Limited | 160 | 1,560,000 |
| HSBC Arbitrage Fund | Nestle India Limited | 1 | 40 |
| HSBC Arbitrage Fund | NMDC Limited | 239 | 1,075,500 |
| HSBC Arbitrage Fund | Piramal Enterprises Limited | 263 | 144,650 |
| HSBC Arbitrage Fund | SBI Life Insurance Company Limited | 46 | 34,500 |
| HSBC Arbitrage Fund | Wipro Limited | 14 | 21,000 |
| HSBC Arbitrage Fund | Ambuja Cements Limited | 242 | 435,600 |
| HSBC Arbitrage Fund | Bajaj Finance Limited | 67 | 8,375 |
| HSBC Arbitrage Fund | Balkrishna Industries Limited | 129 | 38,700 |
| HSBC Arbitrage Fund | Canara Bank | 83 | 224,100 |
| HSBC Arbitrage Fund | Eicher Motors Limited | 1 | 175 |
| HSBC Arbitrage Fund | Havells India Limited | 1 | 500 |
| HSBC Arbitrage Fund | HDFC Life Insurance Company Limited | 54 | 59,400 |
| HSBC Arbitrage Fund | IDFC Limited | 688 | 6,880,000 |
| HSBC Arbitrage Fund | Laurus Labs Limited | 217 | 238,700 |
| HSBC Arbitrage Fund | United Spirits Limited | 166 | 103,750 |
| HSBC Arbitrage Fund | Oil & Natural Gas Corporation Limited | 6 | 23,100 |
| HSBC Arbitrage Fund | Rain Industries Limited | 103 | 360,500 |
| HSBC Arbitrage Fund | Tata Chemicals Limited | 117 | 58,500 |
| HSBC Arbitrage Fund | Tata Motors Limited | 33 | 47,025 |
| HSBC Arbitrage Fund | Zee Entertainment Enterprises Limited | 525 | 1,575,000 |
| HSBC Arbitrage Fund | Container Corporation of India Limited | 261 | 261,000 |
| HSBC Arbitrage Fund | Dr. Reddy's Laboratories Limited | 8 | 1,000 |
| HSBC Arbitrage Fund | Gujarat Narmada Valley Fertilizers and Chemicals Limited | 141 | 183,300 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| 2022-23 | | | |
|---------------------|---|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Arbitrage Fund | Granules India Limited | 108 | 216,000 |
| HSBC Arbitrage Fund | The Indian Hotels Company Limited | 26 | 52,000 |
| HSBC Arbitrage Fund | The India Cements Limited | 158 | 458,200 |
| HSBC Arbitrage Fund | Marico Limited | 8 | 9,600 |
| HSBC Arbitrage Fund | Pidilite Industries Limited | 55 | 13,750 |
| HSBC Arbitrage Fund | Siemens Limited | 14 | 3,850 |
| HSBC Arbitrage Fund | Abbott India Limited | 1 | 40 |
| HSBC Arbitrage Fund | Astral Limited | 13 | 4,771 |
| HSBC Arbitrage Fund | Bharat Electronics Limited | 686 | 3,910,200 |
| HSBC Arbitrage Fund | Bharat Petroleum Corporation Limited | 438 | 788,400 |
| HSBC Arbitrage Fund | Dabur India Limited | 69 | 86,250 |
| HSBC Arbitrage Fund | Exide Industries Limited | 1 | 3,600 |
| HSBC Arbitrage Fund | Godrej Consumer Products Limited | 11 | 11,000 |
| HSBC Arbitrage Fund | Hindustan Aeronautics Limited | 1 | 300 |
| HSBC Arbitrage Fund | HCL Technologies Limited | 29 | 20,300 |
| HSBC Arbitrage Fund | Housing Development Finance Corporation Limited | 71 | 21,300 |
| HSBC Arbitrage Fund | Mahindra & Mahindra Limited | 301 | 210,700 |
| HSBC Arbitrage Fund | NTPC Limited | 6 | 34,200 |
| HSBC Arbitrage Fund | Petronet LNG Limited | 82 | 246,000 |
| HSBC Arbitrage Fund | RBL Bank Limited | 78 | 390,000 |
| HSBC Arbitrage Fund | REC Limited | 357 | 2,856,000 |
| HSBC Arbitrage Fund | SRF Limited | 152 | 57,000 |
| HSBC Arbitrage Fund | Titan Company Limited | 110 | 41,250 |
| HSBC Arbitrage Fund | Torrent Pharmaceuticals Limited | 176 | 88,000 |
| HSBC Arbitrage Fund | Trent Limited | 556 | 222,400 |
| HSBC Arbitrage Fund | Ashok Leyland Limited | 116 | 580,000 |
| HSBC Arbitrage Fund | Aurobindo Pharma Limited | 50 | 50,000 |
| HSBC Arbitrage Fund | Axis Bank Limited | 260 | 312,000 |
| HSBC Arbitrage Fund | Bajaj Finserv Limited | 565 | 282,500 |
| HSBC Arbitrage Fund | Bharat Heavy Electricals Limited | 2 | 21,000 |
| HSBC Arbitrage Fund | Cipla Limited | 177 | 115,050 |
| HSBC Arbitrage Fund | Divi's Laboratories Limited | 2 | 300 |
| HSBC Arbitrage Fund | GAIL (India) Limited | 147 | 1,345,050 |
| HSBC Arbitrage Fund | HDFC Asset Management Company Limited | 14 | 4,200 |
| HSBC Arbitrage Fund | Hindustan Copper Limited | 185 | 888,000 |
| HSBC Arbitrage Fund | Indian Energy Exchange Limited | 361 | 1,353,750 |
| HSBC Arbitrage Fund | Jindal Steel & Power Limited | 46 | 57,500 |
| HSBC Arbitrage Fund | JK Cement Limited | 1 | 250 |
| HSBC Arbitrage Fund | L&T Finance Holdings Limited | 296 | 2,641,504 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| 2022-23 | | | |
|---------------------|---|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Arbitrage Fund | Lupin Limited | 2 | 1,700 |
| HSBC Arbitrage Fund | Punjab National Bank | 408 | 6,528,000 |
| HSBC Arbitrage Fund | Reliance Industries Limited | 1182 | 295,500 |
| HSBC Arbitrage Fund | State Bank of India | 66 | 99,000 |
| HSBC Arbitrage Fund | Syngene International Limited | 42 | 42,000 |
| HSBC Arbitrage Fund | Tata Communications Limited | 28 | 14,000 |
| HSBC Arbitrage Fund | Tata Power Company Limited | 1032 | 3,483,000 |
| HSBC Arbitrage Fund | Tata Consultancy Services Limited | 19 | 3,325 |
| HSBC Arbitrage Fund | Aarti Industries Limited | 40 | 34,000 |
| HSBC Arbitrage Fund | Adani Ports and Special Economic Zone Limited | 16 | 10,000 |
| HSBC Arbitrage Fund | Can Fin Homes Limited | 23 | 22,425 |
| HSBC Arbitrage Fund | Dalmia Bharat Limited | 104 | 52,000 |
| HSBC Arbitrage Fund | ICICI Bank Limited | 778 | 544,600 |
| HSBC Arbitrage Fund | ICICI Lombard General Insurance Company Limited | 25 | 10,625 |
| HSBC Arbitrage Fund | Intellect Design Arena Limited | 24 | 24,000 |
| HSBC Arbitrage Fund | LIC Housing Finance Limited | 180 | 360,000 |
| HSBC Arbitrage Fund | Manappuram Finance Limited | 7 | 42,000 |
| HSBC Arbitrage Fund | Oracle Financial Services Software Limited | 4 | 800 |
| HSBC Arbitrage Fund | Page Industries Limited | 1 | 15 |

| 2021-22 | | | |
|---------------------|--|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Arbitrage Fund | HCL Technologies Limited | 925 | 647,500 |
| HSBC Arbitrage Fund | Jindal Steel & Power Limited | 458 | 1,145,000 |
| HSBC Arbitrage Fund | Tata Communications Limited | 159 | 63,600 |
| HSBC Arbitrage Fund | Jubilant Foodworks Limited | 170 | 21,250 |
| HSBC Arbitrage Fund | Mahanagar Gas Limited | 37 | 22,200 |
| HSBC Arbitrage Fund | Indian Oil Corporation Limited | 34 | 221,000 |
| HSBC Arbitrage Fund | Berger Paints (I) Limited | 31 | 34,100 |
| HSBC Arbitrage Fund | Container Corporation of India Limited | 473 | 378,400 |
| HSBC Arbitrage Fund | Larsen & Toubro Limited | 22 | 12,650 |
| HSBC Arbitrage Fund | UPL Limited | 277 | 360,100 |
| HSBC Arbitrage Fund | Dalmia Bharat Limited | 132 | 33,000 |
| HSBC Arbitrage Fund | Aditya Birla Fashion and Retail Limited | 13 | 33,800 |
| HSBC Arbitrage Fund | Exide Industries Limited | 372 | 1,339,200 |
| HSBC Arbitrage Fund | Mahindra & Mahindra Financial Services Limited | 23 | 92,000 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| 2021-22 | | | |
|---------------------|---|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Arbitrage Fund | Apollo Hospitals Enterprise Limited | 9 | 1,125 |
| HSBC Arbitrage Fund | Siemens Limited | 302 | 83,050 |
| HSBC Arbitrage Fund | Multi Commodity Exchange of India Limited | 193 | 67,550 |
| HSBC Arbitrage Fund | Granules India Limited | 420 | 651,000 |
| HSBC Arbitrage Fund | Indus Towers Limited | 31 | 86,800 |
| HSBC Arbitrage Fund | Godrej Consumer Products Limited | 387 | 193,500 |
| HSBC Arbitrage Fund | IDFC First Bank Limited | 456 | 5,061,600 |
| HSBC Arbitrage Fund | City Union Bank Limited | 335 | 1,139,000 |
| HSBC Arbitrage Fund | Reliance Industries Limited | 55 | 13,750 |
| HSBC Arbitrage Fund | Shriram Transport Finance Company Limited | 15 | 6,000 |
| HSBC Arbitrage Fund | TATA Consumer Products Limited | 13 | 8,775 |
| HSBC Arbitrage Fund | ICICI Lombard General Insurance Company Limited | 2 | 850 |
| HSBC Arbitrage Fund | Power Grid Corporation of India Limited | 310 | 1,653,230 |
| HSBC Arbitrage Fund | RBL Bank Limited | 254 | 736,600 |
| HSBC Arbitrage Fund | Havells India Limited | 4 | 2,000 |
| HSBC Arbitrage Fund | Aarti Industries Limited | 28 | 23,800 |
| HSBC Arbitrage Fund | PI Industries Limited | 27 | 6,750 |
| HSBC Arbitrage Fund | Nestle India Limited | 42 | 1,050 |
| HSBC Arbitrage Fund | SHREE Cement Limited | 5 | 125 |
| HSBC Arbitrage Fund | Marico Limited | 26 | 26,000 |
| HSBC Arbitrage Fund | Syngene International Limited | 4 | 3,400 |
| HSBC Arbitrage Fund | Manappuram Finance Limited | 818 | 2,454,000 |
| HSBC Arbitrage Fund | Cadila Healthcare Limited | 1014 | 1,115,400 |
| HSBC Arbitrage Fund | The India Cements Limited | 168 | 487,200 |
| HSBC Arbitrage Fund | Tata Chemicals Limited | 12 | 12,000 |
| HSBC Arbitrage Fund | Godrej Properties Limited | 301 | 97,825 |
| HSBC Arbitrage Fund | Aurobindo Pharma Limited | 177 | 132,750 |
| HSBC Arbitrage Fund | Britannia Industries Limited | 3 | 600 |
| HSBC Arbitrage Fund | Housing Development Finance Corporation Limited | 1234 | 370,200 |
| HSBC Arbitrage Fund | Delta Corp Limited | 292 | 671,600 |
| HSBC Arbitrage Fund | HDFC Life Insurance Company Limited | 56 | 61,600 |
| HSBC Arbitrage Fund | Infosys Limited | 1 | 300 |
| HSBC Arbitrage Fund | Tata Power Company Limited | 172 | 1,161,000 |
| HSBC Arbitrage Fund | Biocon Limited | 122 | 280,600 |
| HSBC Arbitrage Fund | State Bank of India | 40 | 60,000 |
| HSBC Arbitrage Fund | Amara Raja Batteries Limited | 17 | 17,000 |
| HSBC Arbitrage Fund | Bandhan Bank Limited | 903 | 1,625,400 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| 2021-22 | | | |
|---------------------|--|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Arbitrage Fund | Sun TV Network Limited | 183 | 274,500 |
| HSBC Arbitrage Fund | PVR Limited | 122 | 49,654 |
| HSBC Arbitrage Fund | Petronet LNG Limited | 3 | 9,000 |
| HSBC Arbitrage Fund | Indiabulls Housing Finance Limited | 62 | 192,200 |
| HSBC Arbitrage Fund | United Spirits Limited | 1001 | 1,251,250 |
| HSBC Arbitrage Fund | Balkrishna Industries Limited | 146 | 29,200 |
| HSBC Arbitrage Fund | Page Industries Limited | 3 | 90 |
| HSBC Arbitrage Fund | Piramal Enterprises Limited | 713 | 196,075 |
| HSBC Arbitrage Fund | Balrampur Chini Mills Limited | 297 | 475,200 |
| HSBC Arbitrage Fund | NTPC Limited | 70 | 399,000 |
| HSBC Arbitrage Fund | Eicher Motors Limited | 34 | 11,900 |
| HSBC Arbitrage Fund | IndusInd Bank Limited | 326 | 293,400 |
| HSBC Arbitrage Fund | ICICI Bank Limited | 4 | 5,500 |
| HSBC Arbitrage Fund | GAIL (India) Limited | 19 | 115,900 |
| HSBC Arbitrage Fund | Larsen & Toubro Infotech Limited | 317 | 47,550 |
| HSBC Arbitrage Fund | Hindustan Copper Limited | 363 | 1,560,900 |
| HSBC Arbitrage Fund | Strides Pharma Science Limited | 272 | 244,800 |
| HSBC Arbitrage Fund | Grasim Industries Limited | 11 | 5,225 |
| HSBC Arbitrage Fund | United Breweries Limited | 4 | 1,400 |
| HSBC Arbitrage Fund | Ambuja Cements Limited | 1753 | 2,629,500 |
| HSBC Arbitrage Fund | MindTree Limited | 114 | 22,800 |
| HSBC Arbitrage Fund | Crompton Greaves Consumer Electricals Limited | 74 | 81,400 |
| HSBC Arbitrage Fund | Adani Ports and Special Economic Zone Limited | 1778 | 2,222,500 |
| HSBC Arbitrage Fund | REC Limited | 278 | 1,668,000 |
| HSBC Arbitrage Fund | Rain Industries Limited | 252 | 630,000 |
| HSBC Arbitrage Fund | Astral Limited | 6 | 1,650 |
| HSBC Arbitrage Fund | Cholamandalam Investment and Finance Company Limited | 1 | 1,250 |
| HSBC Arbitrage Fund | Hindustan Unilever Limited | 63 | 18,900 |
| HSBC Arbitrage Fund | UltraTech Cement Limited | 25 | 2,500 |
| HSBC Arbitrage Fund | Apollo Tyres Limited | 20 | 50,000 |
| HSBC Arbitrage Fund | Axis Bank Limited | 58 | 69,600 |
| HSBC Arbitrage Fund | LIC Housing Finance Limited | 543 | 1,086,000 |
| HSBC Arbitrage Fund | Trent Limited | 175 | 126,875 |
| HSBC Arbitrage Fund | BIRLASOFT Limited | 77 | 100,100 |
| HSBC Arbitrage Fund | Zee Entertainment Enterprises Limited | 777 | 2,331,000 |
| HSBC Arbitrage Fund | Whirlpool of India Limited | 71 | 17,750 |
| HSBC Arbitrage Fund | NBCC (India) Limited | 252 | 3,024,000 |
| HSBC Arbitrage Fund | Muthoot Finance Limited | 61 | 22,875 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| 2021-22 | | | |
|---------------------|---|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Arbitrage Fund | Oberoi Realty Limited | 653 | 457,100 |
| HSBC Arbitrage Fund | Intellect Design Arena Limited | 58 | 43,500 |
| HSBC Arbitrage Fund | The Ramco Cements Limited | 223 | 189,550 |
| HSBC Arbitrage Fund | Bata India Limited | 1 | 550 |
| HSBC Arbitrage Fund | Adani Enterprises Limited | 315 | 157,500 |
| HSBC Arbitrage Fund | Bajaj Finance Limited | 913 | 114,125 |
| HSBC Arbitrage Fund | Hero MotoCorp Limited | 12 | 3,600 |
| HSBC Arbitrage Fund | Deepak Nitrite Limited | 5 | 1,250 |
| HSBC Arbitrage Fund | GMR Infrastructure Limited | 2 | 45,000 |
| HSBC Arbitrage Fund | Steel Authority of India Limited | 941 | 4,469,750 |
| HSBC Arbitrage Fund | Hindustan Aeronautics Limited | 154 | 73,150 |
| HSBC Arbitrage Fund | Laurus Labs Limited | 140 | 126,000 |
| HSBC Arbitrage Fund | DLF Limited | 55 | 90,750 |
| HSBC Arbitrage Fund | Aditya Birla Capital Limited | 85 | 374,000 |
| HSBC Arbitrage Fund | Coforge Limited | 9 | 900 |
| HSBC Arbitrage Fund | Indian Energy Exchange Limited | 284 | 1,065,000 |
| HSBC Arbitrage Fund | Gujarat Gas Limited | 37 | 46,250 |
| HSBC Arbitrage Fund | IDFC Limited | 663 | 6,630,000 |
| HSBC Arbitrage Fund | ICICI Prudential Life Insurance Company Limited | 119 | 89,250 |
| HSBC Arbitrage Fund | Motherson Sumi Systems Limited | 18 | 63,000 |
| HSBC Arbitrage Fund | Can Fin Homes Limited | 154 | 150,150 |
| HSBC Arbitrage Fund | Dabur India Limited | 24 | 30,000 |
| HSBC Arbitrage Fund | Info Edge (India) Limited | 146 | 18,250 |
| HSBC Arbitrage Fund | Bosch Limited | 3 | 150 |
| HSBC Arbitrage Fund | Coal India Limited | 69 | 289,800 |
| HSBC Arbitrage Fund | Abbott India Limited | 82 | 2,050 |
| HSBC Arbitrage Fund | Bajaj Finserv Limited | 603 | 30,150 |
| HSBC Arbitrage Fund | Power Finance Corporation Limited | 97 | 601,400 |
| HSBC Arbitrage Fund | NMDC Limited | 468 | 3,135,600 |
| HSBC Arbitrage Fund | Bharat Electronics Limited | 198 | 752,400 |
| HSBC Arbitrage Fund | Max Financial Services Limited | 201 | 130,650 |
| HSBC Arbitrage Fund | Bharat Petroleum Corporation Limited | 26 | 46,800 |
| HSBC Arbitrage Fund | Tata Steel Limited | 1913 | 813,025 |
| HSBC Arbitrage Fund | Lupin Limited | 189 | 160,650 |
| HSBC Arbitrage Fund | Kotak Mahindra Bank Limited | 79 | 31,600 |
| HSBC Arbitrage Fund | ACC Limited | 99 | 24,750 |
| HSBC Arbitrage Fund | National Aluminium Company Limited | 517 | 4,394,500 |
| HSBC Arbitrage Fund | Firstsource Solutions Limited | 437 | 1,136,200 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| 2021-22 | | | |
|---------------------|--|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Arbitrage Fund | Indraprastha Gas Limited | 113 | 155,375 |
| HSBC Arbitrage Fund | Tata Consultancy Services Limited | 20 | 3,000 |
| HSBC Arbitrage Fund | Gujarat State Petronet Limited | 77 | 130,900 |
| HSBC Arbitrage Fund | The Indian Hotels Company Limited | 34 | 136,748 |
| HSBC Arbitrage Fund | SRF Limited | 23 | 8,625 |
| HSBC Arbitrage Fund | JSW Steel Limited | 2 | 2,700 |
| HSBC Arbitrage Fund | The Federal Bank Limited | 89 | 890,000 |
| HSBC Arbitrage Fund | Pfizer Limited | 8 | 1,000 |
| HSBC Arbitrage Fund | Bharat Heavy Electricals Limited | 58 | 609,000 |
| HSBC Arbitrage Fund | Glenmark Pharmaceuticals Limited | 59 | 67,850 |
| HSBC Arbitrage Fund | Hindustan Petroleum Corporation Limited | 1 | 2,700 |
| HSBC Arbitrage Fund | Coromandel International Limited | 1 | 625 |
| HSBC Arbitrage Fund | Divi's Laboratories Limited | 9 | 900 |
| HSBC Arbitrage Fund | Oil & Natural Gas Corporation Limited | 49 | 377,300 |
| HSBC Arbitrage Fund | Punjab National Bank | 77 | 1,232,000 |
| HSBC Arbitrage Fund | Vedanta Limited | 1039 | 3,220,900 |
| HSBC Arbitrage Fund | Oracle Financial Services Software Limited | 153 | 19,125 |
| HSBC Arbitrage Fund | L&T Technology Services Limited | 67 | 13,400 |
| HSBC Arbitrage Fund | Ashok Leyland Limited | 127 | 571,500 |
| HSBC Arbitrage Fund | Alembic Pharmaceuticals Limited | 88 | 61,600 |
| HSBC Arbitrage Fund | Dr. Reddy's Laboratories Limited | 2 | 250 |

- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was as under -

(Rupees)

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes | Amount | Aggregate Investments by all schemes |
|----------------------------------|-----------------|--------|--------------------------------------|-------------|--------------------------------------|
| | | 2023 | | 2022 | |
| L&T Technology Services Limited | Equity | - | - | 68,411,020 | 652,967,870 |
| Larsen & Toubro Infotech Limited | Equity | - | - | 292,689,270 | 844,053,070 |
| Larsen & Toubro Limited | Equity | - | - | 22,360,773 | 4,752,894,441 |
| MindTree Limited | Equity | - | - | 98,106,120 | 1,218,426,376 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as on the year ended March 31, 2023 & period ended March 31, 2022 are NIL.
- 1.5. Aggregate Unrealised Gain / Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under :

| Company Name | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|---------------|--------------------------|---------------|--------------------------|
| | 2023 | | 2022 | |
| Equity Shares | | | | |
| - Appreciation | 301,517,371 | 1.54% | 1,446,808,810 | 4.24% |
| - Depreciation | 765,500,235 | 3.91% | 898,650,398 | 2.63% |
| Government Securities | | | | |
| - Appreciation | - | - | - | - |
| - Depreciation | 15,796,900 | 0.08% | 14,356,910 | 0.04% |
| Commercial Papers / Certificate of Deposits | | | | |
| - Appreciation | 1,171,653 | 0.01% | - | - |
| - Depreciation | - | - | 1,508,770 | ~0.00% |
| Futures | | | | |
| - Appreciation | 22,584,927 | 0.12% | 75,846,962 | 0.22% |
| - Depreciation | 261,429,278 | 1.34% | 252,838,641 | 0.74% |
| Domestic Mutual Fund | | | | |
| - Appreciation | 18,661,314.07 | 0.10% | - | - |
| - Depreciation | - | - | - | - |
| Treasury Bills | | | | |
| - Appreciation | 95,233 | ~0.00% | 1,415,390 | ~0.00% |
| - Depreciation | 1,116,113 | 0.01% | 2,147,435 | 0.01% |

(~) - Indicates less than 0.01%

- 1.6. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 83,413,834,638 and Rs. 97,570,936,772 respectively being 306.46% and 358.47% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 167,062,419,209 and Rs. 1 73,735,485,902 respectively being 348.87% and 362.80% of the average net assets.

- 1.7. 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 |
|--------------------------|---------------------|-----------------|---------------------|-----------------|
| | 2023 | | 2022 | |
| Money market Instruments | 235,521,500 | 1.20% | 984,142,000 | 2.88% |
| Total | 235,521,500 | 1.20% | 984,142,000 | 2.88% |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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

During the year 2022-23, 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 2021-22, 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 | Group Company | 2022-2023 | 160.49 | 13.71 | 1,369,510 | 1.30 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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 | 2022-2023 | 1,095.67 | 1.69 | 1,915,719 | 1.87 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | Nil | | | |

3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.

4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|--------------------------------|-------------------|-----------------|-----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 1,261,915,158.741 | 293,383,448.941 | 720,546,996.063 | 834,751,611.619 | 10 |
| Regular Plan - Monthly IDCW | 30,596,243.190 | 115,056,988.798 | 132,177,792.349 | 13,475,439.639 | 10 |
| Regular Plan - Quarterly IDCW | 530,523.143 | 109,509.510 | 281,570.027 | 358,462.626 | 10 |
| Direct Plan - Growth Option ** | 873,178,264.969 | 358,171,206.624 | 897,437,195.518 | 333,912,276.075 | 10 |
| Direct Plan - Monthly IDCW | 3,221,291.022 | 145,038.462 | 899,528.425 | 2,466,801.059 | 10 |
| Direct Plan - Quarterly IDCW | 1,016,740.258 | 5,022.446 | 786,496.911 | 235,265.793 | 10 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

| Description | 2021-22 | | | | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 1,622,154,323.144 | 1,145,661,921.679 | 1,505,901,086.082 | 1,261,915,158.741 | 10 |
| Regular Plan - Monthly IDCW | 44,016,168.464 | 15,182,141.622 | 28,602,066.896 | 30,596,243.190 | 10 |
| Regular Plan - Quarterly IDCW | 729,894.400 | 203,369.914 | 402,741.171 | 530,523.143 | 10 |
| Direct Plan - Growth Option ** | 664,885,374.890 | 1,836,454,022.014 | 1,628,161,131.935 | 873,178,264.969 | 10 |
| Direct Plan - Monthly IDCW | 4,316,803.596 | 300,022.178 | 1,395,534.752 | 3,221,291.022 | 10 |
| Direct Plan - Quarterly IDCW | 1,027,297.206 | 118,772.911 | 129,329.859 | 1,016,740.258 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 605,442.374 & as on March 31, 2022 is 500,000

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.
- 7 Expenses other than management fee & audit fees are inclusive of GST wherever applicable.
- 8 Other income of Rs. 2,134,519/- represents Exit load credited to the scheme. (2022: Rs. 1,744,552/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)
- 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Arbitrage Fund | Low | Low | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Balanced Advantage Fund (Erstwhile L&T Balanced Advantage Fund)

An open ended dynamic asset allocation fund.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ("Fund") presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity Schemes

HSBC Balanced Advantage Fund (Erstwhile L&T Balanced Advantage Fund) (HBAF) (Dynamic Asset Allocation Fund - An open ended dynamic asset allocation fund)

The investment objective of the scheme is to seek long term capital growth and income through investments in equity and equity related securities and fixed income instruments. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HBAF stood at INR 1485.58 crores as at March 31, 2023 as against INR 2021.08 crores as at March 31, 2022. Around 67.21% of the net assets were invested in equities, 30.24% of the net assets were invested in debt, 2.45% of the net assets were invested in reverse repos/TREPS and 0.1% in net current assets as at March 31, 2023.

The asset allocation between equity and debt is decided by the fund managers depending on prevailing market and economic conditions. Among the metrics considered for deciding the debt-equity mix at any point of time is the interest rate cycle, equity valuations (P/E, P/BV, Dividend Yield, Earnings yield, market cap to GDP ratio etc.), medium to long term outlook of the asset class, etc. The objective of the equity strategy has been to build a portfolio of companies diversified across major industries, economic sectors and market capitalization that offer an acceptable risk reward balance. Investment in debt securities have been guided by credit quality, liquidity, interest rates and their outlook. HBAF proposes to take long term call on stocks which in the opinion of the Fund Manager, could offer better return over a long period.

HBAF has dynamic equity allocation which is usually changed once in a month. The unhedged equity and debt allocation is largely governed by in-house framework whose key parameters are equity valuations.

On the portfolio construction front (equity portion), HBAF continued to run a flexi cap portfolio. Large cap portion has been approximately 65% with the balance divided roughly equally between the mid cap and the small cap segment. For the equity portion, there is a cyclical tilt towards the earnings growth and macro recovery cycle holding a medium to long term view. The fund managers remain focused on the fundamentals of the companies and their earnings growth trajectory and prefer dominant businesses with scalability and available at reasonable valuations. Portfolio construction is through bottom-up stock selection and there is an emphasis on companies delivering earnings surprises.



As on March 31, 2023, the unhedged equity portfolio was overweight on Healthcare and Real Estate. The portfolio was underweight on Materials, Technology, Consumer Discretionary, and Communication Services. Equal weight sectors were Financials, Consumer Staples, Energy, Industrials, and Utilities.

Looking ahead, the allocation between Equity and Debt would continue to be governed by in-house framework, which is based upon Equity Valuations. HBAF has underperformed in one-year period compared to its benchmark index, as on March 31, 2023.

| HSBC Balanced Advantage Fund | | | | Date of Inception : 7 February, 2011 | | | | |
|---|---------------|----------------|---------------|--------------------------------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Balanced Advantage Fund | 10,229 | 2.29 | 14,053 | 12.01 | 13,819 | 6.67 | 31,418 | 9.88 |
| Scheme Benchmark (Nifty 50 Hybrid composite debt 50:50 Index) | 10,239 | 2.39 | 15,960 | 16.86 | 16,502 | 10.51 | 32,243 | 10.11 |
| Additional Benchmark (S&P BSE Sensex TRI) | 10,203 | 2.03 | 20,705 | 27.46 | 18,971 | 13.63 | 38,521 | 11.74 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|------------------------------|--|--|
| HSBC Balanced Advantage Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: Nifty 50 Hybrid Composite Debt 50:50 Index</p>  |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DILs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DILs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DILs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in

Trustees' Report

For the year ended March 31, 2023 (Contd...)

geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

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For the year ended March 31, 2023 (Contd...)

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|------------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Balanced Advantage Fund | 84 | 177,104.26 | 86 | 1,868,445.03 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|------------------------------|---|---|--|
| HSBC Balanced Advantage Fund | Moderately High | Very High | 3 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

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For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Balanced Advantage Fund (Erstwhile known as L&T Balanced Advantage Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Balanced Advantage Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report (Contd...)

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXU3848

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 68,098.55 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 46,086.12 |
| 2.2 | Unrealised Appreciation Reserve | 12,936.39 |
| 2.3 | Other Reserves | 75,113.05 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 4,351.89 |
| | TOTAL | 206,585.99 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 134,987.41 |
| 1.1.2 | Preference Shares | - |
| 1.1.3 | Equity Linked Debentures | - |
| 1.1.4 | Other Debentures & Bonds | 9,232.72 |
| 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 | 4,920.71 |
| 1.7 | Certificate of Deposits | 49,839.99 |
| 1.8 | Bill Rediscounting | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | Total Investments | 198,980.83 |
| 2 | Deposits | 267.28 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 145.13 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 1,179.68 |
| 3.3 | Others | 6,013.07 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 206,585.99 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 1,727.24 | 2,119.88 |
| 1.2 Interest | 3,520.51 | 3,400.57 |
| 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 | 4,250.36 | 32,974.93 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | 2,961.40 | (17,387.04) |
| 1.7 Other Income | 38.33 | 133.73 |
| | (A) 12,497.84 | 21,242.07 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 991.72 | 1,034.28 |
| 2.2 GST on Management Fees | 178.51 | 186.17 |
| 2.3 Transfer Agents Fees and Expenses | 130.69 | 137.75 |
| 2.4 Custodian Fees | 3.34 | 5.32 |
| 2.5 Trusteeship Fees | 1.15 | 1.34 |
| 2.6 Commission to Agents | 2,236.77 | 2,569.12 |
| 2.7 Marketing & Distribution Expenses | 2.01 | 1.63 |
| 2.8 Audit Fees | 2.11 | 2.27 |
| 2.9 Investor Education Expenses | 35.72 | 39.33 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 20.95 | 14.92 |
| | (B) 3,602.97 | 3,992.12 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 8,894.87 | 17,249.95 |
| 4 Change in Unrealised Depreciation in Value of Investments (D) | (194.86) | (148.52) |
| 5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 8,700.01 | 17,101.43 |
| 6 Change in Unrealised Appreciation in Value of Investments (F) | (4,399.46) | (5,345.89) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 4,300.55 | 11,755.54 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 4,399.46 | 5,345.89 |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 Add/(Less) : Equalisation | (22,780.01) | 10,456.30 |
| 7.4 Transfer from Reserve Fund | 75,113.05 | 48,293.95 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 61,033.05 | 75,851.68 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (716.27) | (738.63) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 60,316.78 | 75,113.05 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 30.7160 | 28.7980 |
| Regular Plan - IDCW Option | 17.7470 | 17.7050 |
| Direct Plan - Growth Option | 34.0500 | 31.4850 |
| Direct Plan - IDCW Option | 20.0170 | 19.6810 |
| High | | |
| Regular Plan - Growth Option | 31.8985 | 31.5980 |
| Regular Plan - IDCW Option | 17.9920 | 18.8120 |
| Direct Plan - Growth Option | 35.7000 | 34.8110 |
| Direct Plan - IDCW Option | 20.2970 | 21.0800 |
| Low | | |
| Regular Plan - Growth Option | 29.0770 | 28.8050 |
| Regular Plan - IDCW Option | 16.6270 | 17.2600 |
| Direct Plan - Growth Option | 32.3300 | 31.5070 |
| Direct Plan - IDCW Option | 18.8140 | 19.4480 |
| End | | |
| Regular Plan - Growth Option | 31.4184 | 30.7160 |
| Regular Plan - IDCW Option | 16.8917 | 17.7470 |
| Direct Plan - Growth Option | 35.3039 | 34.0500 |
| Direct Plan - IDCW Option | 19.3624 | 20.0170 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 148,558 | 202,233 |
| Average (AAuM) ¹ | 178,604 | 196,652 |
| 3. Gross income as % of AAuM ² | 7.00% | 10.80% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 2.08% | 2.09% |
| Direct Plan | 0.73% | 0.71% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.56% | 0.53% |
| Direct Plan | 0.52% | 0.51% |
| 5. Net Income as a percentage of AAuM ³ | 4.98% | 8.77% |
| 6. Portfolio turnover ratio ⁴ | 0.49 | 5.24 |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 1.24 | 1.12 |
| Direct Plan - IDCW Option | 1.36 | 1.24 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| Corporate | | |
| Regular Plan - IDCW Option | 1.24 | 1.12 |
| Direct Plan - IDCW Option | 1.36 | 1.24 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 2.29% | 6.66% |
| Direct Plan - Growth Option | 3.68% | 8.15% |
| Benchmark | | |
| Nifty 50 Hybrid Composite Debt 50:50 Index | 2.39% | 12.66% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 9.88% | 10.59% |
| Direct Plan - Growth Option | 11.08% | 11.91% |
| Benchmark | | |
| Nifty 50 Hybrid Composite Debt 50:50 Index | 10.11% | 10.84% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 are as follows:

| 2022-23 | | | |
|------------------------------|---------------------------------------|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Balanced Advantage Fund | Axis Bank Limited | 102 | 122,400 |
| HSBC Balanced Advantage Fund | Britannia Industries Limited | 41 | 8,200 |
| HSBC Balanced Advantage Fund | DLF Limited | 954 | 1,574,100 |
| HSBC Balanced Advantage Fund | Aurobindo Pharma Limited | 293 | 293,000 |
| HSBC Balanced Advantage Fund | IDFC Limited | 130 | 1,300,000 |
| HSBC Balanced Advantage Fund | Tata Power Company Limited | 209 | 705,375 |
| HSBC Balanced Advantage Fund | United Spirits Limited | 371 | 231,875 |
| HSBC Balanced Advantage Fund | Ambuja Cements Limited | 263 | 473,400 |
| HSBC Balanced Advantage Fund | PI Industries Limited | 54 | 13,500 |
| HSBC Balanced Advantage Fund | Sun Pharmaceutical Industries Limited | 200 | 140,000 |
| HSBC Balanced Advantage Fund | Bajaj Finance Limited | 66 | 8,250 |
| HSBC Balanced Advantage Fund | Zee Entertainment Enterprises Limited | 579 | 1,737,000 |

| 2021-22 | | | |
|------------------------------|---|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Balanced Advantage Fund | Tech Mahindra Limited | 5 | 3,000 |
| HSBC Balanced Advantage Fund | Kotak Mahindra Bank Limited | 2 | 800 |
| HSBC Balanced Advantage Fund | Bharat Petroleum Corporation Limited | 33 | 59,400 |
| HSBC Balanced Advantage Fund | Axis Bank Limited | 320 | 384,000 |
| HSBC Balanced Advantage Fund | IndusInd Bank Limited | 12 | 10,800 |
| HSBC Balanced Advantage Fund | State Bank of India | 808 | 1,212,000 |
| HSBC Balanced Advantage Fund | Balkrishna Industries Limited | 349 | 69,800 |
| HSBC Balanced Advantage Fund | DLF Limited | 753 | 1,242,450 |
| HSBC Balanced Advantage Fund | Tata Steel Limited | 557 | 236,725 |
| HSBC Balanced Advantage Fund | Reliance Industries Limited | 255 | 63,750 |
| HSBC Balanced Advantage Fund | Grasim Industries Limited | 31 | 14,725 |
| HSBC Balanced Advantage Fund | Sun Pharmaceutical Industries Limited | 685 | 479,500 |
| HSBC Balanced Advantage Fund | Housing Development Finance Corporation Limited | 96 | 28,800 |
| HSBC Balanced Advantage Fund | Bajaj Finance Limited | 197 | 24,625 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| 2021-22 | | | |
|------------------------------|--|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Balanced Advantage Fund | PI Industries Limited | 19 | 4,750 |
| HSBC Balanced Advantage Fund | Glenmark Pharmaceuticals Limited | 15 | 17,250 |
| HSBC Balanced Advantage Fund | Hero MotoCorp Limited | 205 | 61,500 |
| HSBC Balanced Advantage Fund | Aurobindo Pharma Limited | 351 | 263,250 |
| HSBC Balanced Advantage Fund | Hindustan Unilever Limited | 97 | 29,100 |
| HSBC Balanced Advantage Fund | Zee Entertainment Enterprises Limited | 243 | 729,000 |
| HSBC Balanced Advantage Fund | ITC Limited | 151 | 483,200 |
| HSBC Balanced Advantage Fund | United Spirits Limited | 304 | 380,000 |
| HSBC Balanced Advantage Fund | UPL Limited | 385 | 500,500 |
| HSBC Balanced Advantage Fund | Jindal Steel & Power Limited | 85 | 212,500 |
| HSBC Balanced Advantage Fund | Asian Paints Limited | 111 | 16,650 |
| HSBC Balanced Advantage Fund | Titan Company Limited | 7 | 2,625 |
| HSBC Balanced Advantage Fund | Vedanta Limited | 105 | 325,500 |
| HSBC Balanced Advantage Fund | UltraTech Cement Limited | 446 | 44,600 |
| HSBC Balanced Advantage Fund | Cadila Healthcare Limited | 641 | 705,100 |
| HSBC Balanced Advantage Fund | Adani Enterprises Limited | 77 | 308,000 |
| HSBC Balanced Advantage Fund | Adani Ports and Special Economic Zone Limited | 52 | 130,000 |
| HSBC Balanced Advantage Fund | Ambuja Cements Limited | 33 | 82,500 |
| HSBC Balanced Advantage Fund | Aurobindo Pharma Limited | 177 | 177,000 |
| HSBC Balanced Advantage Fund | Bank of India | 33 | 198,000 |
| HSBC Balanced Advantage Fund | CG Power and Industrial Solutions Limited | 5 | 60,000 |
| HSBC Balanced Advantage Fund | DCB Bank Limited | 4 | 18,000 |
| HSBC Balanced Advantage Fund | Gujarat State Fertilizers & Chemicals Limited | 4 | 18,800 |
| HSBC Balanced Advantage Fund | Havells India Limited | 3 | 3,000 |
| HSBC Balanced Advantage Fund | Hero MotoCorp Limited | 40 | 8,000 |
| HSBC Balanced Advantage Fund | IDBI Bank Limited | 107 | 1,070,000 |
| HSBC Balanced Advantage Fund | IDFC Limited | 148 | 1,953,600 |
| HSBC Balanced Advantage Fund | IFCI Limited | 61 | 2,135,000 |
| HSBC Balanced Advantage Fund | Indiabulls Housing Finance Limited | 107 | 53,500 |
| HSBC Balanced Advantage Fund | Jindal Steel & Power Limited | 31 | 69,750 |
| HSBC Balanced Advantage Fund | JSW Steel Limited | 394 | 591,000 |
| HSBC Balanced Advantage Fund | Kajaria Ceramics Limited | 28 | 36,400 |
| HSBC Balanced Advantage Fund | Kotak Mahindra Bank Limited | 4 | 3,200 |
| HSBC Balanced Advantage Fund | Lupin Limited | 2 | 1,400 |
| HSBC Balanced Advantage Fund | Mahindra & Mahindra Financial Services Limited | 181 | 226,250 |
| HSBC Balanced Advantage Fund | Mahindra & Mahindra Limited | 256 | 256,000 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| 2021-22 | | | |
|------------------------------|---|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Balanced Advantage Fund | National Aluminium Company Limited | 46 | 368,000 |
| HSBC Balanced Advantage Fund | Petronet LNG Limited | 122 | 366,000 |
| HSBC Balanced Advantage Fund | Reliance Infrastructure Limited | 12 | 15,600 |
| HSBC Balanced Advantage Fund | Steel Authority of India Limited | 51 | 612,000 |
| HSBC Balanced Advantage Fund | Sun Pharmaceutical Industries Limited | 102 | 112,200 |
| HSBC Balanced Advantage Fund | Tata Communications Limited | 8 | 8,000 |
| HSBC Balanced Advantage Fund | Tata Consultancy Services Limited | 182 | 45,500 |
| HSBC Balanced Advantage Fund | Tata Motors Limited - DVR | 210 | 798,000 |
| HSBC Balanced Advantage Fund | The Federal Bank Limited | 376 | 2,632,000 |
| HSBC Balanced Advantage Fund | The India Cements Limited | 143 | 643,500 |
| HSBC Balanced Advantage Fund | TV18 Broadcast Limited | 49 | 637,000 |
| HSBC Balanced Advantage Fund | UPL Limited | 58 | 69,600 |
| HSBC Balanced Advantage Fund | Vedanta Limited | 35 | 80,500 |
| HSBC Balanced Advantage Fund | Dr. Reddy's Laboratories Limited | 96 | 24,000 |
| HSBC Balanced Advantage Fund | Grasim Industries Limited | 204 | 153,000 |
| HSBC Balanced Advantage Fund | Housing Development Finance Corporation Limited | 425 | 212,500 |
| HSBC Balanced Advantage Fund | Hindustan Unilever Limited | 403 | 241,800 |
| HSBC Balanced Advantage Fund | Infosys Limited | 283 | 339,600 |
| HSBC Balanced Advantage Fund | Maruti Suzuki India Limited | 16 | 1,200 |
| HSBC Balanced Advantage Fund | Reliance Industries Limited | 797 | 398,500 |
| HSBC Balanced Advantage Fund | Asian Paints Limited | 253 | 151,800 |
| HSBC Balanced Advantage Fund | Tata Power Company Limited | 62 | 558,000 |
| HSBC Balanced Advantage Fund | Adani Power Limited | 207 | 4,140,000 |
| HSBC Balanced Advantage Fund | Arvind Limited | 126 | 252,000 |
| HSBC Balanced Advantage Fund | Ashok Leyland Limited | 43 | 172,000 |
| HSBC Balanced Advantage Fund | Dabur India Limited | 19 | 23,750 |
| HSBC Balanced Advantage Fund | Engineers India Limited | 64 | 262,400 |
| HSBC Balanced Advantage Fund | Glenmark Pharmaceuticals Limited | 86 | 86,000 |
| HSBC Balanced Advantage Fund | ITC Limited | 59 | 141,600 |
| HSBC Balanced Advantage Fund | The Ramco Cements Limited | 37 | 29,600 |
| HSBC Balanced Advantage Fund | Shree Cements Limited | 55 | 2,750 |
| HSBC Balanced Advantage Fund | Tech Mahindra Limited | 6 | 7,200 |
| HSBC Balanced Advantage Fund | Wipro Limited | 8 | 25,600 |
| HSBC Balanced Advantage Fund | Yes Bank Limited | 213 | 372,750 |
| HSBC Balanced Advantage Fund | Zee Entertainment Enterprises Limited | 55 | 71,500 |
| HSBC Balanced Advantage Fund | CG Power and Industrial Solutions Limited | 68 | 816,000 |
| HSBC Balanced Advantage Fund | Gujarat State Fertilizers & Chemicals Limited | 45 | 211,500 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| 2021-22 | | | |
|------------------------------|---|---------------------|---------------------------|
| Scheme Name | Underlying Assets Name | Number of Contracts | Units Outstanding (Short) |
| HSBC Balanced Advantage Fund | IDFC Limited | 8 | 105,600 |
| HSBC Balanced Advantage Fund | Punjab National Bank | 131 | 917,000 |
| HSBC Balanced Advantage Fund | State Bank of India | 38 | 114,000 |
| HSBC Balanced Advantage Fund | Sun Pharmaceutical Industries Limited | 93 | 102,300 |
| HSBC Balanced Advantage Fund | The Federal Bank Limited | 16 | 112,000 |
| HSBC Balanced Advantage Fund | TV18 Broadcast Limited | 66 | 858,000 |
| HSBC Balanced Advantage Fund | Housing Development Finance Corporation Limited | 51 | 25,500 |
| HSBC Balanced Advantage Fund | United Spirits Limited | 3 | 3,750 |
| HSBC Balanced Advantage Fund | Reliance Industries Limited | 188 | 94,000 |
| HSBC Balanced Advantage Fund | Asian Paints Limited | 36 | 21,600 |
| HSBC Balanced Advantage Fund | Tata Power Company Limited | 14 | 126,000 |

1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 is Nil.

(Rupees)

| Issuer | Instrument Type | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) |
|-------------------------|-----------------|--------------|--|--------------|--|
| | | 2022-23 | | 2021-22 | |
| Larsen & Toubro Limited | Equity | NIL | | 78,564,972 | 4,752,894,441 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2023 and March 31, 2022.

1.5. Aggregate Unrealised Gain/Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under :

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Equity Shares | | | | |
| – Appreciation | 1,246,597,214 | 8.39% | 1,737,083,754 | 8.59% |
| – Depreciation | 396,664,381 | 2.67% | 443,444,404 | 2.19% |
| Non Convertible Debentures and Bonds Listed/Awaiting Listing (Rupees) | | | | |
| – Appreciation | 3,459,254 | 0.02% | 2,169,662 | 0.01% |
| – Depreciation | 14,999 | ~0.00% | 12,376,194 | 0.06% |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|---|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Government Securities | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | 63,506,771 | 0.43% | 45,277,415 | 0.22% |
| Certificate of Deposit /Commercial Papers (Rupees) | | | | |
| – Appreciation | 315,915 | –0.00% | – | – |
| – Depreciation | – | – | 1,086,795 | 0.01% |
| Futures | | | | |
| – Appreciation | 3,274,930 | 0.02% | 15,654,549 | 0.08% |
| – Depreciation | 15,917,257 | 0.11% | 15,746,682 | 0.08% |

(–) - Indicates less than 0.01%

- 1.6. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 8,369,499,180 and Rs. 13,875,663,343 respectively being 46.86% and 77.69% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 21,451,087,573 and Rs. 18,814,011,823 respectively being 109.08% and 95.67% of the average net assets.

- 1.7. 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 |
|--------------------------|----------------------|-----------------|----------------------|-----------------|
| | 2023 | | 2022 | |
| Debt Instruments | 1,954,176,000 | 13.15% | 670,132,850 | 3.31% |
| Money market Instruments | 279,430,500 | 1.88% | 492,071,000 | 2.43% |
| Total | 2,233,606,500 | 15.04% | 1,162,203,850 | 5.75% |

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

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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

| Name of Sponsor/ Investment Manager and its associates/ related parties/group companies | Nature of Association /Nature of relation | Period Covered | Business Given [Rs. In Crores] | % of Total Business given by the Fund | Commission paid [Rs.] | % of Total Commission paid by the Fund |
|---|---|----------------|--------------------------------|---------------------------------------|-----------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 6.65 | 2.97 | 211,457 | 0.10 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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 | 2022-2023 | 94.26 | 0.88 | 164,784 | 0.72 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | NIL | | | |

- 3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the years ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 591,939,609.810 | 62,918,492.905 | 232,824,606.609 | 422,033,496.106 | 10 |
| Regular Plan - IDCW | 59,252,891.299 | 10,773,221.106 | 19,205,368.970 | 50,820,743.435 | 10 |
| Direct Plan - Growth Option** | 28,010,294.295 | 3,177,350.612 | 11,353,091.028 | 19,834,553.879 | 10 |
| Direct Plan - IDCW | 1,782,742.244 | 121,705.677 | 828,253.473 | 1,076,194.448 | 10 |
| | 2021-22 | | | | |
| Regular Plan - Growth Option | 490,281,395.500 | 231,857,667.749 | 130,199,453.439 | 591,939,609.810 | 10 |
| Regular Plan - IDCW | 64,975,183.272 | 13,921,129.379 | 19,643,421.352 | 59,252,891.299 | 10 |
| Direct Plan - Growth Option** | 18,385,103.601 | 15,222,857.830 | 5,597,667.136 | 28,010,294.295 | 10 |
| Direct Plan - IDCW | 1,972,369.637 | 471,502.925 | 661,130.318 | 1,782,742.244 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 508,074.959 & as on March 31, 2022 is 235,213.407

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 38,33,091/- represents Exit load credited to the scheme. (2022: Rs. 13,372,998/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT)

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|-----------------|-----------------|
| | Amount (in Rs.) | Amount (in Rs.) |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/MD/DF3/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/MD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|------------------------------|---|---|--|
| HSBC Balanced Advantage Fund | Very High | Moderately High | 3 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



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 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

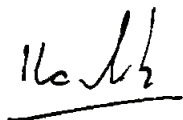
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Equity 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.)

The investment objective of the scheme is 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.

Trustees' Report (Contd...)

For the year ended March 31, 2023

The net assets of HTSF amounted to INR 174.38 crores as at March 31, 2023 as against INR 195.27 crores as at March 31, 2022. Around 98.94% of the net assets were invested in equities, 1.38% of the net assets were invested in reverse repos/TREPS and (-0.32%) in net current assets as at March 31, 2023.

The aim of HTSF is to provide long-term capital appreciation from an actively managed portfolio, primarily comprising of a mix of small, mid and large cap stocks. Income is not a primary consideration in the investment policies of the scheme. HTSF aims to be predominantly invested in equity and equity related securities. HTSF may also invest in fixed income securities.

HTSF outperformed its benchmark since inception period but underperformed in the 1-year period. The underperformance has been driven by being overweight in Consumer Discretionary & IT and underweight in Staples & Energy. However, overweight in Industrial & Financials contributed positively to the performance..



HTSF is overweight in Financials, Industrial, Real Estate, Healthcare & Consumer Discretionary, neutral in IT and underweight in Consumer Staples, Energy, Materials, Utilities and Communication Services as on March 31, 2023.

| HSBC Tax Saver Equity Fund | | Date of Inception : 5 January, 2007 | | | | | | | |
|--|---------------|-------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Tax Saver Equity Fund | 9,542 | -4.58 | 19,312 | 24.53 | 14,767 | 8.09 | 53,587 | 10.89 | |
| Scheme Benchmark (Nifty 500 TRI) | 9,878 | -1.22 | 21,450 | 28.97 | 17,271 | 11.52 | 52,811 | 10.79 | |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 52,869 | 10.80 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Note: As a result of the acquisition, HSBCMF would have had two equity linked savings scheme ("ELSS") in the form of HSBC Tax Saver Equity Fund (an open ended ELSS with a statutory lock in period of 3 years and tax benefit), and L&T Tax Advantage Fund (to be renamed as HSBC ELSS Fund). As per ELSS guidelines, a mutual fund can have only one open-ended ELSS scheme. In view of the said restriction, the subscription (including SIP, STP or switch) into HTSF was stopped from close of business hours on November 25, 2022. However, existing unitholders will be allowed to hold their investments in this fund, except that no further investments / subscription would be accepted in this fund and unitholders will be permitted to redeem / switch out their units post the mandatory lock-in period.

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|----------------------------|--|---|
| HSBC Tax Saver Equity Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY 500 TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report (Contd...)

For the year ended March 31, 2023

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclical like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DII saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

Trustees' Report (Contd...)

For the year ended March 31, 2023

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

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For the year ended March 31, 2023

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio

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For the year ended March 31, 2023

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|----------------------------|--------------------|---------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Tax Saver Equity Fund | 7,072 | 13,213,138.68 | 344 | 7,209,705.07 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 | |
| IA | Non receipt of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| IB | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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For the year ended March 31, 2023

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under

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For the year ended March 31, 2023

the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|----------------------------|---|---|--|
| HSBC Tax Saver Equity Fund | Very High | Very High | 0 |

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For the year ended March 31, 2023

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

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For the year ended March 31, 2023

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report (Contd...)**For the year ended March 31, 2023****Note to the Trustees' Report:**

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report (Contd...)**For the year ended March 31, 2023****Change in Fundamental Attribute of HSBC Mutual Fund Scheme**

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

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 accompanying financial statements of **HSBC Tax Saver Equity Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of

Independent Auditors' Report (Contd...)

adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:

Independent Auditors' Report (Contd...)

- a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQY5407

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 4,242.30 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (3,696.19) |
| 2.2 | Unrealised Appreciation Reserve | 7,590.11 |
| 2.3 | Other Reserves | 11,293.45 |
| 3 | Loans & Borrowings | – |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | – |
| 4.2 | Other Current Liabilities & Provisions | 433.25 |
| | TOTAL | 19,923.76 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 17,254.19 |
| 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 | 19,049.34 |
| 2 | Deposits | 3.00 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 159.94 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 241.10 |
| 3.3 | Others | 204.33 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | – |
| | TOTAL | 19,923.76 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 145.50 | 120.31 |
| 1.2 Interest | 15.46 | 7.40 |
| 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 | 1,595.23 | 2,169.07 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 0.02 | - |
| | (A) 1,756.21 | 2,296.78 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 254.90 | 259.08 |
| 2.2 GST on Management Fees | 45.88 | 46.63 |
| 2.3 Transfer Agents Fees and Expenses | 15.87 | 19.71 |
| 2.4 Custodian Fees | 0.64 | 2.34 |
| 2.5 Trusteeship Fees | 0.77 | 0.89 |
| 2.6 Commission to Agents | 126.20 | 130.69 |
| 2.7 Marketing & Distribution Expenses | 0.87 | 0.22 |
| 2.8 Audit Fees | 0.22 | 0.41 |
| 2.9 Investor Education Expenses | 3.73 | 3.82 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 4.96 | 4.66 |
| | (B) 454.05 | 468.45 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) 1,302.16 | 1,828.33 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) - | - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) 1,302.16 | 1,828.33 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) (2,141.75) | 2,090.49 |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) (839.59) | 3,918.82 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 2,141.75 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 2,090.49 |
| 7.3 Add/(Less) : Equalisation | (618.19) | (620.01) |
| 7.4 Transfer from Reserve Fund | 11,293.45 | 10,234.04 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 11,977.42 | 11,442.36 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (312.41) | (148.90) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 11,665.02 | 11,293.46 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 56.1559 | 45.4780 |
| Regular Plan - IDCW Option | 26.7156 | 22.4464 |
| Direct Plan - Growth Option | 60.9947 | 48.7781 |
| Direct Plan - IDCW Option | 28.4709 | 23.6978 |
| High | | |
| Regular Plan - Growth Option | 59.0710 | 60.3622 |
| Regular Plan - IDCW Option | 28.1024 | 29.7927 |
| Direct Plan - Growth Option | 64.6973 | 65.3954 |
| Direct Plan - IDCW Option | 30.1644 | 31.7205 |
| Low | | |
| Regular Plan - Growth Option | 47.9136 | 44.1134 |
| Regular Plan - IDCW Option | 22.7944 | 21.7729 |
| Direct Plan - Growth Option | 52.1859 | 47.3341 |
| Direct Plan - IDCW Option | 24.3492 | 22.9947 |
| End | | |
| Regular Plan - Growth Option | 53.5866 | 56.1559 |
| Regular Plan - IDCW Option | 23.3279 | 26.7156 |
| Direct Plan - Growth Option | 58.9147 | 60.9947 |
| Direct Plan - IDCW Option | 25.2986 | 28.4709 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 17,438 | 19,527 |
| Average (AAuM) ¹ | 18,652 | 19,088 |
| 3. Gross income as % of AAuM ² | 9.42% | 12.03% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (Including GST on Management fees) (plan wise) | | |
| Regular Plan | 2.49% | 2.50% |
| Direct Plan | 1.29% | 1.26% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 1.38% | 1.37% |
| Direct Plan | 1.01% | 0.93% |
| 5. Net Income as a percentage of AAuM ³ | 6.98% | 9.58% |
| 6. Portfolio turnover ratio ⁴ | 0.38 | 0.26 |
| 7. Total Dividend per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - IDCW Option | 2.25 | 1.00 |
| Direct Plan - IDCW Option | 2.25 | 1.10 |
| Corporate | | |
| Regular Plan - IDCW Option | 2.25 | 1.00 |
| Direct Plan - IDCW Option | 2.25 | 1.10 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | -4.58% | 23.48% |
| Direct Plan - Growth Option | -3.41% | 25.05% |
| Benchmark | | |
| NIFTY 500 TRI ⁺ | -1.22% | 22.29% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 10.89% | 11.99% |
| Direct Plan - Growth Option | 12.92% | 14.84% |
| Benchmark | | |
| NIFTY 500 TRI ⁺ | 10.79% | 11.62% |

⁺ For HSBC Tax Saver Equity Fund : The benchmark of the scheme has been changed from S&P BSE 200 TRI to NIFTY 500 TRI with effect from December 01, 2021.

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 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 (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|----------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Equity Shares | | | | |
| – Appreciation | 591,697,471 | 33.93 | 780,387,130 | 39.97 |
| – Depreciation | 46,861,200 | 2.69 | 21,376,288 | 1.09 |

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) is Rs. 705,402,832 and Rs. 830,267,668 respectively being 37.82% and 44.51% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) is Rs. 488,262,367 and Rs. 686,243,795 respectively being 25.58% and 35.95% of the average net assets.

- 1.8. Non-Traded securities in the portfolio of the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.

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

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2023

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 | Group Companies | 2022-2023 | 0.63 | 13.54 | 1,004,417 | 10.26 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Companies | 2021-2022 | 0.84 | 12.19 | 1,101,015 | 10.76 |

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 | 2022-2023 | 1.83 | 1.21 | 22,008.41 | 1.23 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | | | Nil | |

- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | |
|-------------------------------|----------------|--------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 26,401,056.334 | 607,599.152 | 1,838,819.372 | 25,169,836.114 | 10 |
| Regular Plan - IDCW Option | 14,483,331.528 | 264,010.693 | 1,333,562.823 | 13,413,779.398 | 10 |
| Direct Plan - Growth Option** | 1,265,982.451 | 107,108.472 | 108,056.114 | 1,265,034.809 | 10 |
| Direct Plan - IDCW Option | 272,580.306 | 7,703.755 | 19,074.676 | 261,209.385 | 10 |

| Description | 2021-2022 | | | | |
|-------------------------------|----------------|--------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 27,962,580.913 | 702,896.014 | 2,264,420.593 | 26,401,056.334 | 10 |
| Regular Plan - IDCW Option | 16,009,394.705 | 169,752.108 | 1,695,815.285 | 14,483,331.528 | 10 |
| Direct Plan - Growth Option** | 1,175,605.072 | 192,732.266 | 102,354.887 | 1,265,982.451 | 10 |
| Direct Plan - IDCW Option | 279,296.073 | 38,011.254 | 44,727.021 | 272,580.306 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2023 is 187,801.892 and as on 31/03/2022 is 187,801.892.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2023

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other Income Rs. 1698/- represents exit load credited to the scheme. (2022: 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-O-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|----------------------------|---|---|--|
| HSBC Tax Saver Equity Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2023

become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Conservative Hybrid Fund **(Erstwhile HSBC Regular Savings Fund)**

An open ended hybrid scheme investing predominantly in debt instruments.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Conservative Hybrid Fund (Erstwhile HSBC Regular Savings Fund) (HCHF) **(An open-ended hybrid scheme investing predominantly in debt instruments)**

The investment objective of the scheme is to seek generation of 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HCHF amounted to INR 114.85 crores as at March 31, 2023 as against INR 96.68 crores as at March 31, 2022. Around 71.02% of the net assets were invested in Debt, 4.01% of the net assets were invested in reverse repos/TREPS and 0.27% in net current assets as at March 31, 2023.

The objective of HCHF is to generate regular income through investments predominantly in debt and money market instruments along with some long term capital appreciation from a moderate equity investment. HCHF may invest up to 25% of its corpus in equities depending on the fund managers view on the markets.


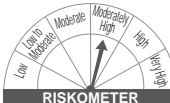
HCHF offers a prudent portfolio in line with the risk appetite of the investors whilst seeking optimal returns. Demonstrated ability to identify value-buying opportunities and to reposition the portfolio basis evolving interest rate environment. HCHF aims at generating regular returns through yield accrual while also capturing potential opportunities of capital appreciation. HCHF continues to maintain the highest credit quality, with 100% of the portfolio in Sovereign/AAA or equivalent securities.

HCHF was overweight compared to benchmark. The scheme had higher exposure on the government securities and the rising yields lead to underperformance of the scheme over the last 1 year.

| HSBC Conservative Hybrid Fund | | | | Date of Inception : 24 February, 2004 | | | | |
|---|---------------|----------------|---------------|---------------------------------------|---------------|----------------|-----------------|----------------|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Conservative Hybrid Fund | 10,098 | 0.98 | 12,754 | 8.45 | 13,429 | 6.06 | 45,283 | 8.22 |
| Scheme Benchmark (NIFTY 50 Hybrid Composite Debt 15:85 Index) | 10,339 | 3.39 | 12,995 | 9.13 | 14,888 | 8.27 | 45,677 | 8.27 |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 27,740 | 5.48 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-------------------------------|--|--|
| HSBC Conservative Hybrid Fund |  <p>Investors understand that their principal will be at Moderately High risk</p> | <p>Benchmark Index: CRISIL Hybrid 85+15 - Conservative Index</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|-------------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Conservative Hybrid Fund | 6,319 | 4,884,358.57 | 59 | 1,689,630.37 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| | | 2022-2023 | | | | | | | | | | | |
|-----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Com-plaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 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 | 3 | 3 | 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation

Trustees' Report

For the year ended March 31, 2023 (Contd...)

etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|-------------------------------|---|---|--|
| HSBC Conservative Hybrid Fund | Moderately High | Moderately High | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code /Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name/Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Conservative Hybrid Fund (Erstwhile known as HSBC Regular Savings Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Conservative Hybrid Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of

Independent Auditors' Report *(Contd...)*

adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:

Independent Auditors' Report *(Contd...)*

- a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYL7250

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 3,171.17 |
| | 3,925.69 | |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (91.86) |
| 2.2 | Unrealised Appreciation Reserve | 855.93 |
| 2.3 | Other Reserves | 5,744.93 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 115.43 |
| | 256.89 | |
| | TOTAL | 9,795.60 |
| | 11,741.72 | 9,795.60 |
| ASSETS | | |
| 1 | Investments | |
| 1.1 | Listed Securities: | |
| 1.1.1 | Equity Shares | 2,217.76 |
| 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 | 6,407.71 |
| 1.5 | Treasury Bills | - |
| 1.6 | Commercial Paper/Certificate of Deposits | - |
| 1.8 | PTC | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | Total Investments | 8,625.47 |
| | 10,822.07 | 8,625.47 |
| 2 | Deposits | 5.92 |
| | 0.60 | |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 9.04 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 964.11 |
| 3.3 | Others | 191.06 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 9,795.60 |
| | 11,741.72 | 9,795.60 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 18.58 | 14.25 |
| 1.2 Interest | 495.42 | 411.94 |
| 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 | 14.41 | 250.59 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 0.76 | 1.46 |
| | (A) 529.17 | 678.24 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 115.71 | 103.96 |
| 2.2 GST/Service Tax on Management Fees | 20.83 | 18.71 |
| 2.3 Transfer Agents Fees and Expenses | 4.05 | 3.29 |
| 2.4 Custodian Fees | 0.04 | 0.14 |
| 2.5 Trusteeship Fees | 0.37 | 0.40 |
| 2.6 Commission to Agents | 70.02 | 61.49 |
| 2.7 Marketing & Distribution Expenses | 0.62 | 0.50 |
| 2.8 Audit Fees | 0.12 | 0.20 |
| 2.9 Investor Education Expenses | 2.06 | 1.75 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 2.64 | 1.90 |
| | (B) 216.46 | 192.34 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 312.71 | 485.90 |
| 4 Change in Unrealised Depreciation in Value of Investments (D) | 30.36 | (33.37) |
| 5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 343.07 | 452.53 |
| 6 Change in Unrealised Appreciation in Value of Investments (F) | (243.67) | 209.55 |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 99.40 | 662.08 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 243.67 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | (209.55) |
| 7.3 Add/(Less) : Equalisation | 1,065.04 | 1,050.49 |
| 7.4 Transfer from Reserve Fund | 5,744.93 | 4,341.52 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 7,153.04 | 5,844.54 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (155.50) | (99.61) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 6,997.54 | 5,744.93 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 46.3294 | 42.8122 |
| Regular Plan - Monthly IDCW Option | 12.7999 | 12.5333 |
| Regular Plan - Quarterly IDCW Option | 16.6037 | 15.5474 |
| Direct Plan - Growth Option | 50.2641 | 45.7562 |
| Direct Plan - Monthly IDCW Option | 16.5744 | 16.0742 |
| Direct Plan - Quarterly IDCW Option | 14.2827 | 13.8736 |
| High | | |
| Regular Plan - Growth Option | 47.0453 | 46.7339 |
| Regular Plan - Monthly IDCW Option | 12.8530 | 13.2740 |
| Regular Plan - Quarterly IDCW Option | 16.7299 | 16.9357 |
| Direct Plan - Growth Option | 51.4847 | 50.5586 |
| Direct Plan - Monthly IDCW Option | 16.6457 | 17.1110 |
| Direct Plan - Quarterly IDCW Option | 14.3441 | 14.8322 |
| Low | | |
| Regular Plan - Growth Option | 43.7642 | 42.6152 |
| Regular Plan - Monthly IDCW Option | 11.9649 | 12.4756 |
| Regular Plan - Quarterly IDCW Option | 15.6844 | 15.4759 |
| Direct Plan - Growth Option | 47.6102 | 45.5792 |
| Direct Plan - Monthly IDCW Option | 15.5274 | 16.0094 |
| Direct Plan - Quarterly IDCW Option | 13.4567 | 13.8177 |
| End | | |
| Regular Plan - Growth Option | 46.8800 | 46.3294 |
| Regular Plan - Monthly IDCW Option | 12.1010 | 12.7999 |
| Regular Plan - Quarterly IDCW Option | 15.9083 | 16.6037 |
| Direct Plan - Growth Option | 51.4637 | 50.2641 |
| Direct Plan - Monthly IDCW Option | 15.8211 | 16.5744 |
| Direct Plan - Quarterly IDCW Option | 13.5864 | 14.2827 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 11,485 | 9,668 |
| Average (AAuM) ¹ | 10,283 | 8,743 |
| 3. Gross income as % of AAuM ² | | |
| | 5.15% | 7.76% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (plan wise) | | |
| Regular Plan - Growth Option | 2.18% | 2.24% |
| Direct Plan - Growth Option | 1.09% | 0.79% |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| b. Management Fee as % of AAUM (plan wise) | | |
| Regular Plan - Growth Option | 1.15% | 1.21% |
| Direct Plan - Growth Option | 0.87% | 0.59% |
| 5. Net Income as a percentage of AAUM ³ | 3.04% | 5.56% |
| 6. Portfolio turnover ratio ⁴ | - | - |
| 7. Total Dividend per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - Monthly IDCW Option | 0.8320 | 0.7450 |
| Regular Plan - Quarterly IDCW Option | 0.8800 | - |
| Direct Plan - Monthly IDCW Option | 1.0970 | 0.9850 |
| Direct Plan - Quarterly IDCW Option | 0.9900 | 0.8800 |
| Corporate | | |
| Regular Plan - Monthly IDCW Option | 0.8320 | 0.7450 |
| Regular Plan - Quarterly IDCW Option | 0.8800 | - |
| Direct Plan - Monthly IDCW Option | 1.0970 | 0.9850 |
| Direct Plan - Quarterly IDCW Option | 0.9900 | 0.8800 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 0.98% | 8.21% |
| Direct Plan - Growth Option | 1.45% | 9.85% |
| Benchmark | | |
| NIFTY 50 Hybrid Composite Debt 15:85 Index | 3.39% | 6.94% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 8.22% | 8.85% |
| Direct Plan - Growth Option | 7.99% | 8.99% |
| Benchmark | | |
| NIFTY 50 Hybrid Composite Debt 15:85 Index | 8.27% | 8.45% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|----------------|--------------------------------------|----------------|--------------------------------------|
| | | March 31, 2023 | | March 31, 2022 | |
| Nil | | | | | |

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as on financial year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentage to net assets are as under :

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|---|-----------------|--------------------------|-----------------|--------------------------|
| | March 31, 2023 | | March 31, 2022 | |
| Equity Shares | | | | |
| – Appreciation | 66,323,685 | 5.77 | 86,781,290 | 8.98 |
| – Depreciation | 5,202,986 | 0.45 | 1,188,438 | 0.12 |
| Non Convertible Debentures and Bonds Listed / Awaiting Listing | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | – | – |
| Government Securities | | | | |
| – Appreciation | 339,805 | 0.03 | – | – |
| – Depreciation | 5,186,685 | 0.45 | 7,882,442 | 0.82 |
| Commercial Paper / Certificate of Deposit | | | | |
| – Appreciation | 105,305 | 0.01 | – | – |
| – Depreciation | – | – | – | – |

- 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) are Rs. 845,511,626 and Rs. 984,459,8507 being 82.22% and 95.74% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 1,163,978,503 and Rs. 1,042,978,340 being 133.13% and 119.29% of the average net assets.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 |
|--------------------------|-------------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Money Market Instruments | 93,143,500 | 8.11 | – | – |
| Total | 93,143,500 | 8.11 | – | – |

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

During the year 2022-23, 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 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|--|--|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 2.42 | 4.40 | 1,602,193 | 20.93 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 13.26 | 49.51 | 1,362,891 | 24.17 |

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 & Capital Markets (India) Private Limited | Sponsor | 2022-2023 | 0.33 | 1.23 | 4,002 | 1.18 |
| HSBC Securities and Capital Market (India) Private Limited | Sponsor | 2021-2022 | Nil | | | |

3 None of the Investors held more than 25% of the total net assets of the schemes at the year ended March 31, 2023 and March 31, 2022.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | | Face Value per unit (Rupees) |
|--------------------------------------|----------------|---------------|---------------|----------------|--|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | | |
| Regular Plan - Growth Option | 15,106,366.618 | 5,349,427.443 | 4,014,148.497 | 16,441,645.564 | | 10 |
| Regular Plan - Monthly IDCW Option | 9,322,656.987 | 3,924,349.749 | 2,000,936.769 | 11,246,069.967 | | 10 |
| Regular Plan - Quarterly IDCW Option | 6,349,486.244 | 4,091,529.794 | 725,315.456 | 9,715,700.582 | | 10 |
| Direct Plan - Growth Option** | 830,308.330 | 2,081,719.286 | 1,288,725.530 | 1,623,302.086 | | 10 |
| Direct Plan - Monthly IDCW Option | 83,048.573 | 92,180.263 | 4,951.045 | 170,277.791 | | 10 |
| Direct Plan - Quarterly IDCW Option | 19,814.285 | 46,426.274 | 6,340.253 | 59,900.306 | | 10 |

| Description | 2021-22 | | | | | Face Value per unit (Rupees) |
|--------------------------------------|----------------|---------------|---------------|----------------|--|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | | |
| Regular Plan - Growth Option | 12,005,500.965 | 4,838,977.100 | 1,738,111.447 | 15,106,366.618 | | 10 |
| Regular Plan - Monthly IDCW Option | 12,325,967.598 | 563,398.284 | 3,566,708.895 | 9,322,656.987 | | 10 |
| Regular Plan - Quarterly IDCW Option | 8,020,029.330 | 61,536.936 | 1,732,080.022 | 6,349,486.244 | | 10 |
| Direct Plan - Growth Option** | 358,915.643 | 511,772.921 | 40,380.234 | 830,308.330 | | 10 |
| Direct Plan - Monthly IDCW Option | 99,705.613 | 29,257.320 | 45,914.360 | 83,048.573 | | 10 |
| Direct Plan - Quarterly IDCW Option | 17,973.783 | 1,840.502 | - | 19,814.285 | | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 333,369.822 & as on March 31, 2022 is 170,321.192

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognised nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income: Rs. 75,979/- represents Exit load credited to the scheme.(2022: Rs. 146,474/- represents Exit load credited to the scheme.)
- 9 **Investor Education Awareness**

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16,

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAI.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|-----------------|-----------------|
| | Amount (in Rs.) | Amount (in Rs.) |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

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 filed Miscellaneous Applications (MA) under section 254(2) of the Income Tax Act with ITAT against the favorable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The ITAT has vide its order dated March 25th 2022, dismissed the MA filed by department.

An appeal filed by Revenue in the High court against the aforesaid order of Feb 2017 is yet to be heard.

- 11 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

- 12 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 13 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 14 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 15 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|-------------------------------|---|---|--|
| HSBC Conservative Hybrid Fund | Moderately High | Moderately High | 0 |

- 16 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 17 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Liquid Fund (Erstwhile HSBC Cash Fund)

An open-ended Liquid Scheme. Relatively Low interest rate risk and Low credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ("Fund") presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Liquid Fund (Erstwhile HSBC Cash Fund) (HLF)

(Liquid Fund - An open ended Liquid Scheme. Relatively Low interest rate risk and Moderate credit risk.)

The investment objective of the scheme is 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 realized.

Trustees' Report

For the year ended March 31, 2023 (Contd...)



The net assets of HLF amounted to INR 9029.04 crores as at March 31, 2023 as against INR 2977.82 crores as at March 31, 2022. Around 92.23% of the net assets were invested in Debt, 7.78% of the net assets were invested in reverse repos/TREPS and (-0.01%) in net current assets as at March 31, 2023.

To ensure optimal liquidity and better risk adjusted performance to suit the investor's requirements in various situations, our fund managers follow stringent liquidity, credit risk and interest rate risk norms. The portfolio comprises of high credit quality papers evaluated through a rigorous credit evaluation process and generally aims to restrict investments to the highest possible short term rating. In the current fiscal year, we have seen a sharp move in yields in the shorter segment, making the portfolio yield attractive. The portfolio of HLF is predominantly invested in highly liquid money market instruments, government securities and corporate debt with residual maturity of up to 91 days with focus on maintaining a high credit quality and highly liquid portfolio. The scheme outperformed its benchmark in the past 30 days.

| HSBC Liquid Fund | | | | | | | Date of Inception : 4 December, 2002 | | | | | | | |
|---|--------|------|---------|------|---------|------|--------------------------------------|------|---------|------|---------|------|-----------------|------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 7 Days | | 15 Days | | 30 Days | | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | ₹ | % | ₹ | % | ₹ | % | ₹ | % | ₹ | % | ₹ | % | ₹ | % |
| HSBC Liquid Fund | 10,017 | 9.04 | 10,031 | 8.46 | 10,059 | 7.72 | 10,566 | 5.66 | 11,305 | 4.17 | 12,903 | 5.22 | 22,419 | 7.04 |
| Scheme Benchmark (Nifty Liquid Index B-I) | 10,015 | 7.95 | 10,030 | 8.00 | 10,059 | 7.68 | 10,588 | 5.88 | 11,373 | 4.38 | 12,972 | 5.33 | 22,666 | 7.13 |
| Additional Benchmark (CRISIL 1 Year T Bill Index) | 10,014 | 7.69 | 10,030 | 8.18 | 10,070 | 9.23 | 10,449 | 4.49 | 11,347 | 4.30 | 13,099 | 5.53 | 21,216 | 6.54 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|------------------|---|--|
| HSBC Liquid Fund |  <p>RISKOMETER</p> <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index: Nifty Liquid Index B-I</p>  <p>RISKOMETER</p> |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class (PRC) Matrix for Scheme:

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

Potential Risk Class ("PRC") matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit

Trustees' Report

For the year ended March 31, 2023 (Contd...)

of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Liquid Fund | 204 | 75,661.37 | 45 | 1,586,210.82 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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, 2023 (Contd...)

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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, 2023 (Contd...)

11. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|------------------|---|---|--|
| HSBC Liquid Fund | Low to Moderate | Low to Moderate | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code /Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

Sd/-

Trustee

Mumbai

July 11, 2023

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|-------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|-------------------------------|
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Liquid Fund (Erstwhile known as HSBC Cash Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Liquid Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards

Independent Auditors' Report *(Contd...)*

specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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.

Independent Auditors' Report *(Contd...)*

We also provide to 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) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQYT3961

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 145,942.65 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 1,156.84 |
| 2.2 | Unrealised Appreciation Reserve | 28.96 |
| 2.3 | Other Reserves | 150,654.44 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 1,410.84 |
| | TOTAL | 299,193.73 |
| 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 | 7,531.15 |
| 1.1.5 | Securitised Debt Securities | 73,466.72 |
| 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 | 10,082.67 |
| 1.5 | Treasury Bills | 54,647.23 |
| 1.6 | Commercial Paper/Certificate of Deposits | 223,836.57 |
| 1.7 | PTC | - |
| 1.8 | Units of Domestic Mutual Fund | - |
| 1.9 | Foreign Securities | - |
| | Total Investments | 296,097.62 |
| 2 | Deposits | 184.93 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 4.77 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 2,126.03 |
| 3.3 | Others | 780.38 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 299,193.73 |

Notes to Accounts - Annexure I

Abridged Revenue Account For the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | - | - |
| 1.2 Interest | 40,768.55 | 13,360.79 |
| 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 | (219.01) | (904.82) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 35.00 | 5.71 |
| (A) | 40,584.54 | 12,461.68 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 443.72 | 259.44 |
| 2.2 GST/Service Tax on Management Fees | 79.87 | 46.70 |
| 2.3 Transfer Agents Fees and Expenses | 101.08 | 51.20 |
| 2.4 Custodian Fees | 2.82 | 5.95 |
| 2.5 Trusteeship Fees | 9.03 | 8.73 |
| 2.6 Commission to Agents | 67.01 | 38.66 |
| 2.7 Marketing & Distribution Expenses | 4.07 | 0.25 |
| 2.8 Audit Fees | 7.80 | 1.54 |
| 2.9 Investor Education Expenses | 139.30 | 88.49 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 44.41 | 14.28 |
| (B) | 899.11 | 515.24 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 39,685.43 | 11,946.44 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) 19.31 | (17.67) |
| 5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 39,704.74 | 11,928.77 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) 378.15 | (6.40) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 40,082.89 | 11,922.37 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | - | 6.40 |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | 378.15 | - |
| 7.3 Add/(Less) : Equalisation | 302,138.62 | (25,269.92) |
| 7.4 Transfer from Reserve Fund | 150,654.44 | 164,379.77 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 492,497.80 | 151,038.62 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (536.68) | (384.18) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 491,961.12 | 150,654.44 |

Notes to Accounts - Annexure I

Key Statistics For the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Growth Option # (Discontinued Plan) | 3,055.0566 | 2,979.2502 |
| Daily IDCW Option # (Discontinued Plan) | 1,019.3000 | 1,019.3000 |
| Weekly IDCW Option # (Discontinued Plan) | 1,000.5240 | 1,000.3216 |
| Institutional Daily IDCW Option # | 1,553.7509 | 1,505.3734 |
| Regular Plan - Growth Option | 2,106.9529 | 2,038.4176 |
| Regular Plan - Daily IDCW Option | 1,001.3789 | 1,001.0316 |
| Regular Plan - Weekly IDCW Option | 1,107.8300 | 1,107.5817 |
| Regular Plan - Monthly IDCW Option | 1,002.2952 | 1,002.1473 |
| Direct Plan - Growth Option | 2,119.7831 | 2,048.8138 |
| Direct Plan - Daily IDCW Option | 1,000.9401 | 1,000.9401 |
| Direct Plan - Weekly IDCW Option | 1,179.2316 | 1,153.5351 |
| Direct Plan - Monthly IDCW Option | 1,038.6577 | 1,038.5039 |
| Unclaimed IDCW less than 3 yrs* | 1,368.5045 | 1,327.8942 |
| Unclaimed IDCW more than 3 yrs* | 1,000.0000 | 1,000.0000 |
| Unclaimed Redemption less than 3 yrs* | 1,368.5045 | 1,327.8942 |
| Unclaimed Redemption more than 3 yrs* | 1,000.0000 | 1,000.0000 |
| High | | |
| Growth Option # (Discontinued Plan) | 3,212.2379 | 3,055.0566 |
| Daily IDCW Option # (Discontinued Plan) | 1,019.3000 | 1,019.3000 |
| Weekly IDCW Option # (Discontinued Plan) | 1,002.0012 | 1,000.8923 |
| Institutional Daily IDCW Option # | 1,574.4518 | 1,553.7509 |
| Regular Plan - Growth Option | 2,226.3856 | 2,106.9529 |
| Regular Plan - Daily IDCW Option | 1,001.3789 | 1,001.3789 |
| Regular Plan - Weekly IDCW Option | 1,109.2529 | 1,108.3588 |
| Regular Plan - Monthly IDCW Option | 1,008.3129 | 1,004.5755 |
| Direct Plan - Growth Option | 2,242.1310 | 2,119.7831 |
| Direct Plan - Daily IDCW Option | 1,000.9401 | 1,000.9401 |
| Direct Plan - Weekly IDCW Option | 1,197.1087 | 1,179.2316 |
| Direct Plan - Monthly IDCW Option | 1,044.2030 | 1,041.0923 |
| Unclaimed IDCW less than 3 yrs* | - | 1,368.5045 |
| Unclaimed IDCW more than 3 yrs* | - | 1,000.0000 |
| Unclaimed Redemption less than 3 yrs* | - | 1,368.5045 |
| Unclaimed Redemption more than 3 yrs* | - | 1,000.0000 |

Key Statistics For the year ended March 31, 2023 *(Contd...)*

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| Low | | |
| Growth Option # (Discontinued Plan) | 3,055.7762 | 2,980.0105 |
| Daily IDCW Option # (Discontinued Plan) | 1,019.0102 | 1,019.2675 |
| Weekly IDCW Option # (Discontinued Plan) | 1,000.1664 | 1,000.1981 |
| Institutional Daily IDCW Option # | 1,554.1991 | 1,505.8632 |
| Regular Plan - Growth Option | 2,107.5872 | 2,039.1157 |
| Regular Plan - Daily IDCW Option | 1,001.1379 | 1,001.0316 |
| Regular Plan - Weekly IDCW Option | 1,107.4099 | 1,107.4449 |
| Regular Plan - Monthly IDCW Option | 1,002.1136 | 1,001.6031 |
| Direct Plan - Growth Option | 2,120.4380 | 2,049.5369 |
| Direct Plan - Daily IDCW Option | 1,000.7043 | 1,000.9325 |
| Direct Plan - Weekly IDCW Option | 1,179.5957 | 1,153.4438 |
| Direct Plan - Monthly IDCW Option | 1,037.6943 | 1,037.9257 |
| Unclaimed IDCW less than 3 yrs* | - | 1,328.3059 |
| Unclaimed IDCW more than 3 yrs* | - | 999.9818 |
| Unclaimed Redemption less than 3 yrs* | - | 1,328.3059 |
| Unclaimed Redemption more than 3 yrs* | - | 999.9818 |
| End | | |
| Growth Option # (Discontinued Plan) | 3,212.2379 | 3,055.0566 |
| Daily IDCW Option # (Discontinued Plan) | 1,019.3000 | 1,019.3000 |
| Weekly IDCW Option # (Discontinued Plan) | 1,002.0012 | 1,000.5240 |
| Institutional Daily IDCW Option # | 1,562.8262 | 1,553.7509 |
| Regular Plan - Growth Option | 2,226.3856 | 2,106.9529 |
| Regular Plan - Daily IDCW Option | 1,001.3789 | 1,001.3789 |
| Regular Plan - Weekly IDCW Option | 1,109.1234 | 1,107.8300 |
| Regular Plan - Monthly IDCW Option | 1,003.6223 | 1,002.2952 |
| Direct Plan - Growth Option | 2,242.1310 | 2,119.7831 |
| Direct Plan - Daily IDCW Option | 1,000.9401 | 1,000.9401 |
| Direct Plan - Weekly IDCW Option | 1,196.7798 | 1,179.2316 |
| Direct Plan - Monthly IDCW Option | 1,039.2652 | 1,038.6577 |
| Unclaimed IDCW less than 3 yrs* | - | 1,368.5045 |
| Unclaimed IDCW more than 3 yrs* | - | 1,000.0000 |
| Unclaimed Redemption less than 3 yrs* | - | 1,368.5045 |
| Unclaimed Redemption more than 3 yrs* | - | 1,000.0000 |

Key Statistics For the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 902,904 | 297,782 |
| Average (AAuM) ¹ | 658,114 | 353,670 |
| 3. Gross income as % of AAuM ² | 6.17% | 3.52% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) | | |
| Regular Plan | 0.22% | 0.22% |
| Institutional Plan # | 0.31% | 0.36% |
| Discontinued Plan# | 0.72% | 1.01% |
| Direct Plan | 0.12% | 0.12% |
| Unclaimed* | 0.51% | 0.51% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 0.09% | 0.10% |
| Institutional Plan # | 0.06% | 0.07% |
| Discontinued Plan# | 0.06% | 0.07% |
| Direct Plan | 0.06% | 0.07% |
| Unclaimed* | 0.05% | 0.07% |
| 5. Net Income as a percentage of AAuM ³ | 6.03% | 3.38% |
| 6. Portfolio turnover ratio ⁴ | NA | NA |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Retail | | |
| Daily IDCW Option # | 51.1436 | 25.6127 |
| Weekly IDCW Option # | 48.7383 | 24.9386 |
| Regular Plan - Daily IDCW Option | 55.2173 | 32.7581 |
| Regular Plan - Weekly IDCW Option | 59.6011 | 36.3863 |
| Regular Plan - Monthly IDCW Option | 54.0665 | 33.0204 |
| Direct Plan - Daily IDCW Option | 56.1563 | 34.0584 |
| Direct Plan - Weekly IDCW Option | 49.2016 | 13.8383 |
| Direct Plan - Monthly IDCW Option | 57.7588 | 35.2129 |
| Corporate | | |
| Daily IDCW Option # | 51.1436 | 25.6127 |
| Weekly IDCW Option # | 48.7383 | 24.9386 |
| Regular Plan - Daily IDCW Option | 55.2173 | 32.7581 |
| Regular Plan - Weekly IDCW Option | 59.6011 | 36.3863 |
| Regular Plan - Monthly IDCW Option | 54.0665 | 33.0204 |
| Direct Plan - Daily IDCW Option | 56.1563 | 34.0584 |
| Direct Plan - Weekly IDCW Option | 49.2016 | 13.8383 |
| Direct Plan - Monthly IDCW Option | 57.7588 | 35.2129 |

Key Statistics For the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 5.66% | 3.36% |
| Direct Plan - Growth Option | 5.75% | 3.46% |
| Benchmark | | |
| NIFTY Liquid Index B-I | 5.88% | 3.68% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 7.04% | 7.09% |
| Direct Plan - Growth Option | 6.77% | 6.88% |
| Benchmark | | |
| NIFTY Liquid Index B-I | 7.13% | 7.15% |

Plans Discontinued for fresh subscription

* Unclaimed plans were closed in HSBC Liquid Fund on July 24, 2022

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 end 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as on financial year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year March 31, 2023 and March 31, 2022 are as under:

| Security Category | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|---|--------------|--------------------------|--------------|--------------------------|
| | 2023 | | 2022 | |
| Non Convertible Debentures and Bonds Listed/Awaiting Listing | | | | |
| - Appreciation | 9,700,329 | ~0.00 | - | - |
| - Depreciation | - | - | 1,017,304 | ~0.00 |
| Certificates of Deposit/Commercial Paper | | | | |
| - Appreciation | 3,0501,373 | 0.03 | 2,796,610 | 0.01 |
| - Depreciation | 964,915 | ~0.00 | 30,125 | ~0.00 |
| Treasury Bills | | | | |
| - Appreciation | 1,474,026 | ~0.00 | 129,795 | ~0.00 |
| - Depreciation | - | - | - | - |
| Government Securities | | | | |
| - Appreciation | - | - | - | - |
| - Depreciation | - | - | 913,900 | ~0.00 |

~ 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 2022-23 (excluding accretion of discount) are Rs. 434,027,931,485 and Rs. 467,674,575,637 respectively being 659.50% and 710.63% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 207,748,374,646 and Rs. 211,084,940,834 respectively being 587.41% and 596.84% of the average net assets.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 |
|--------------------------|----------------|--------------------------|----------------|--------------------------|
| | 2023 | | 2022 | |
| Debt Instruments | 7,346,672,000 | 8.14% | 753,114,500 | 2.53% |
| Money Market Instruments | 59,311,438,250 | 65.69% | 18,399,713,500 | 61.79% |

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

During the year 2021-22, 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 2020-21, 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 | 2022-2023 | 448.81 | 0.43 | 1,726,162 | 19.61 |
| The Hongkong and Shanghai Banking Corporation Limited | Associate of the Investment Manager | 2021-2022 | 436.06 | 2.49 | 2,445,417 | 59.80 |

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is 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, 2023 and March 31, 2022.

4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | |
|--|---------------|--------------|------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Growth Option # (Discontinued Plan) | 9,338.642 | 465.779 | 1,225.346 | 8,579.075 | 1,000 |
| Daily IDCW Option # (Discontinued Plan) | 38,980.047 | 739.594 | 1,468.739 | 38,250.902 | 1,000 |
| Weekly IDCW Option # (Discontinued Plan) | 5,307.894 | - | - | 5,307.894 | 1,000 |
| Institutional Daily IDCW Option# | 38.218 | - | - | 38.218 | 1,000 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| Description | 2022-2023 | | | | |
|--|----------------|-----------------|-----------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 1,662,500.611 | 43,270,813.686 | 37,910,367.084 | 7,022,947.213 | 1,000 |
| Regular Plan - Daily IDCW Option | 654,489.865 | 871,985.809 | 1,075,039.985 | 451,435.690 | 1,000 |
| Regular Plan - Weekly IDCW Option | 11,673.256 | 36,727.491 | 9,743.103 | 38,657.644 | 1,000 |
| Institutional Plus Monthly IDCW Option | 60,668.326 | 8,333.659 | 43,640.319 | 25,361.666 | 1,000 |
| Direct Plan - Growth Option** | 11,887,312.206 | 221,052,741.722 | 200,160,944.800 | 32,779,109.128 | 1,000 |
| Direct Plan - Daily IDCW Option | 175,122.818 | 581,415.719 | 211,813.237 | 544,725.300 | 1,000 |
| Direct Plan - Weekly IDCW Option | 130.436 | 22,678.175 | 5,053.858 | 17,754.753 | 1,000 |
| Direct Plan - Monthly IDCW Option | 1,487.937 | 1,457.323 | 1,676.439 | 1,268.821 | 1,000 |
| Unclaimed Plan- IDCW less than 3 year ^a | 11,533.045 | - | 11,533.045 | - | 1,000 |
| Unclaimed Plan- IDCW more than 3 year ^a | 25,315.530 | - | 25,315.530 | - | 1,000 |
| Unclaimed Plan- Redemption less than 3 year ^a | 15,574.104 | - | 15,574.104 | - | 1,000 |
| Unclaimed Plan- Redemption more than 3 year ^a | 34,792.072 | - | 34,792.072 | - | 1,000 |

| Description | 2021-2022 | | | | |
|--|---------------|---------------|----------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Growth Option # (Discontinued Plan) | 9,539.197 | - | 200.555 | 9,338.642 | 1,000 |
| Daily IDCW Option # (Discontinued Plan) | 42,896.452 | - | 3,916.405 | 38,980.047 | 1,000 |
| Weekly IDCW Option # (Discontinued Plan) | 5,620.354 | - | 312.460 | 5,307.894 | 1,000 |
| Institutional Daily IDCW Option# | 38.218 | - | - | 38.218 | 1,000 |
| Regular Plan - Growth Option | 4,001,666.870 | 9,271,465.227 | 11,610,631.486 | 1,662,500.611 | 1,000 |
| Regular Plan - Daily IDCW Option | 974,263.618 | 514,189.063 | 833,962.816 | 654,489.865 | 1,000 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

| Description | 2021-2022 | | | | |
|--|----------------|----------------|----------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Weekly IDCW Option | 128,879.571 | 49,980.765 | 167,187.080 | 11,673.256 | 1,000 |
| Institutional Plus Monthly IDCW Option | 48,829.391 | 62,395.941 | 50,557.006 | 60,668.326 | 1,000 |
| Direct Plan - Growth Option** | 11,784,992.295 | 74,325,097.403 | 74,222,777.492 | 11,887,312.206 | 1,000 |
| Direct Plan - Daily IDCW Option | 43,575.129 | 205,734.158 | 74,186.469 | 175,122.818 | 1,000 |
| Direct Plan - Weekly IDCW Option | 1,093.801 | 35.979 | 999.344 | 130.436 | 1,000 |
| Direct Plan - Monthly IDCW Option | 1,481.648 | 307.340 | 301.051 | 1,487.937 | 1,000 |
| Unclaimed Plan- IDCW less than 3 year [§] | 16,119.886 | 979.188 | 5,566.029 | 11,533.045 | 1,000 |
| Unclaimed Plan- IDCW more than 3 year [§] | 21,679.768 | 5,213.104 | 1,577.342 | 25,315.530 | 1,000 |
| Unclaimed Plan- Redemption less than 3 year [§] | 12,504.070 | 12,995.327 | 9,925.293 | 15,574.104 | 1,000 |
| Unclaimed Plan- Redemption more than 3 year [§] | 32,491.756 | 2,822.279 | 521.963 | 34,792.072 | 1,000 |

** Units held by the AMC in Direct Plan Growth Option as on March 31, 2023 is 107,417.088 & as on March 31, 2022 is 528,877.488

Plans Discontinued for fresh subscription

§ Unclaimed plans were closed in HSBC Liquid Fund on July 24, 2022

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate
- 6 No contingent liabilities for the year ended March 31, 2022 and March 31, 2021.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other Income :- Rs. 35,00,176 represents Exit load credited to the scheme. (2022 - Nil)

9 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/MD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEA.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016. The IEA disclosure's are presented for surviving schemes only.

10 Borrowings

Outstanding Borrowing Liability as at 31st March 2023 & 31st March 2022 is Nil.

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 filed Miscellaneous Applications (MA) under section 254(2) of the Income Tax Act with ITAT against the favorable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The ITAT has vide its order dated March 25th 2022 dismissed the MA filed by department.

An appeal filed by Revenue in the High court against the aforesaid order of Feb 2017 is yet to be heard.

- 12 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 13 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 14 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|------------------|---|---|--|
| HSBC Liquid Fund | Low to Moderate | Low to Moderate | 0 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

- 15 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below

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

- 16 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 17 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 18 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Overnight Fund

Overnight fund – An open ended debt scheme investing in overnight securities. Relatively Low interest rate risk and relatively Low credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Overnight Fund (HOF)

(An open ended debt scheme investing in overnight securities. Relatively low interest rate risk and relatively low credit risk)

The scheme aims 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HOF amounted to INR 3195.45 crores as at March 31, 2023 as against INR 963.61 crores as at March 31, 2022. Around 6.23% of the net assets were invested in Debt, 93.65% of the net assets were invested in reverse repos/TREPS and 0.12% In net current assets as at March 31, 2023.



HOF performed marginally lower than its benchmark due to conservative investments and the focus being on overnight market i.e. TREPS and CROMS.

| HSBC Overnight Fund | | | | Date of Inception : 22 May, 2019 | | | | |
|---|---------------|----------------|---------------|----------------------------------|---------------|----------------|-----------------|----------------|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Overnight Fund | 10,533 | 5.33 | 11,189 | 3.81 | NA | NA | 11,611 | 3.94 |
| Scheme Benchmark (NIFTY 1D Rate Index) | 10,553 | 5.53 | 11,243 | 3.98 | NA | NA | 11,736 | 4.23 |
| Additional Benchmark (CRISIL 1 Year T Bill Index) | 10,449 | 4.49 | 11,347 | 4.30 | NA | NA | 12,093 | 5.05 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---------------------|--|---|
| HSBC Overnight Fund |  <p>Investors understand that their principal will be at Low risk</p> | <p>Benchmark Index: NIFTY 1D Rate Index</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Potential Risk Class (PRC) Matrix for Scheme:

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

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to

Trustees' Report

For the year ended March 31, 2023 (Contd...)

monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP00001322.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Overnight Fund | 261 | 47,518.52 | 27 | 445,794.32 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 | |
| IA | Non receipt of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| IB | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for

Trustees' Report

For the year ended March 31, 2023 (Contd...)

engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------|---|---|--|
| HSBC Overnight Fund | Low | Low | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | <p>Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.</p> | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | <p>Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.</p> | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | <p>Principle 3: Institutional investors should monitor their investee companies.</p> | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | <p>Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.</p> | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

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 accompanying financial statements of **HSBC Overnight Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of

Independent Auditors' Report (Contd...)

the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYM7018

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

| | | Rs. in Lakhs | |
|--------------------------|---|-------------------------|-------------------------|
| | | As at March 31, 2023 | As at March 31, 2022 |
| LIABILITIES | | | |
| 1 | Unit Capital | 273,550.93 | 86,772.27 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | 17.78 | (0.44) |
| 2.2 | Unrealised Appreciation Reserve | 1.21 | - |
| 2.3 | Other Reserves | 45,974.94 | 9,589.36 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income / Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 1,013.93 | 6,176.99 |
| TOTAL | | 320,558.79 | 102,538.18 |
| 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 | 19,913.46 | - |
| 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 | | 19,913.46 | - |
| 2 | Deposits | 553.69 | 785.00 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 833.04 | 6,101.18 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 299,192.51 | 95,642.01 |
| 3.3 | Others | 66.09 | 9.99 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | | 320,558.79 | 102,538.18 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current year ended March 31, 2023 | Previous year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | – | – |
| 1.2 Interest | 8,812.37 | 2,191.56 |
| 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 | (31.34) | (15.89) |
| 1.6 Realised Gains / (Losses) on Derivative Transactions | – | – |
| 1.7 Other Income | 14.46 | – |
| (A) | 8,795.49 | 2,175.67 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 95.66 | 45.47 |
| 2.2 GST/Service Tax on Management Fees | 17.22 | 8.19 |
| 2.3 Transfer Agents Fees and Expenses | 21.98 | 9.40 |
| 2.4 Custodian Fees | 0.01 | – |
| 2.5 Trusteeship Fees | 2.01 | 1.50 |
| 2.6 Commission to Agents | 32.23 | 16.67 |
| 2.7 Marketing & Distribution Expenses | 0.72 | 0.04 |
| 2.8 Audit Fees | 1.78 | 0.50 |
| 2.9 Investor Education Expenses | 105.41 | 12.77 |
| 2.10 Interest on Borrowing | – | – |
| 2.11 Other Operating Expenses | 5.27 | 4.39 |
| (B) | 282.29 | 98.93 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B) | 8,513.20 | 2,076.74 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | – |
| 5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D) | 8,513.20 | 2,076.74 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | 1.21 |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F) | 8,514.41 | 2,076.74 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | – | – |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | 1.21 | – |
| 7.3 Add / (Less) : Equalisation | 27,898.41 | 5,116.68 |
| 7.4 Transfer from Reserve Fund | 9,589.36 | 2,412.14 |
| 7.5 Transfer from Unit Premium Reserve | – | – |
| 8 Total | 46,000.97 | 9,605.56 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (26.03) | (16.20) |
| 9.2 Tax on Income Distributed during the Year | – | – |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 45,974.94 | 9,589.36 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current year ended March 31, 2023 | Previous year ended March 31, 2022 |
|--|--------------------------------------|---------------------------------------|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 1,107.2931 | 1,073.0991 |
| Regular Plan – Daily IDCW Option | 1,000.0006 | 1,000.0000 |
| Regular Plan – Weekly IDCW Option | 1,000.1807 | 1,000.0869 |
| Regular Plan – Monthly IDCW Option | 1,000.5237 | 1,000.5066 |
| Direct Plan – Growth Option | 1,112.0680 | 1,076.1105 |
| Direct Plan – Daily IDCW Option | 1,000.0000 | 1,000.0000 |
| Direct Plan – Weekly IDCW Option | 1,000.1882 | 1,000.0908 |
| Direct Plan – Monthly IDCW Option | 1,000.5490 | – |
| Unclaimed IDCW less than 3 yrs * | NA | NA |
| Unclaimed IDCW more than 3 yrs * | NA | NA |
| Unclaimed Redemption less than 3 yrs * | NA | NA |
| Unclaimed Redemption more than 3 yrs * | NA | NA |
| High | | |
| Regular Plan – Growth Option | 1,166.3480 | 1,107.2931 |
| Regular Plan – Daily IDCW Option | 1,000.0064 | 1,000.0006 |
| Regular Plan – Weekly IDCW Option | 1,001.2667 | 1,000.7505 |
| Regular Plan – Monthly IDCW Option | 1,005.4695 | 1,002.8654 |
| Direct Plan – Growth Option | 1,172.9962 | 1,112.0680 |
| Direct Plan – Daily IDCW Option | 1,000.0067 | 1,000.0000 |
| Direct Plan – Weekly IDCW Option | 1,001.2573 | 1,000.7754 |
| Direct Plan – Monthly IDCW Option | 1,005.5631 | 1,002.9121 |
| Unclaimed IDCW less than 3 yrs * | 1,041.0436 | NA |
| Unclaimed IDCW more than 3 yrs * | 1,000.0000 | NA |
| Unclaimed Redemption less than 3 yrs * | 1,041.0438 | NA |
| Unclaimed Redemption more than 3 yrs * | 1,000.0000 | NA |
| Low | | |
| Regular Plan – Growth Option | 1,107.6138 | 1,073.4775 |
| Regular Plan – Daily IDCW Option | 1,000.0006 | 1,000.0000 |
| Regular Plan – Weekly IDCW Option | 1,000.0404 | 1,000.0778 |
| Regular Plan – Monthly IDCW Option | 1,000.0013 | 1,000.0824 |
| Direct Plan – Growth Option | 1,112.4037 | 1,076.5077 |
| Direct Plan – Daily IDCW Option | 1,000.0000 | 1,000.0000 |
| Direct Plan – Weekly IDCW Option | 1,000.0034 | 1,000.0823 |
| Direct Plan – Monthly IDCW Option | 1,000.0013 | 1,000.0875 |
| Unclaimed IDCW less than 3 yrs * | 1,000.1410 | NA |
| Unclaimed IDCW more than 3 yrs * | 1,000.0000 | NA |
| Unclaimed Redemption less than 3 yrs * | 1,000.1410 | NA |
| Unclaimed Redemption more than 3 yrs * | 1,000.0000 | NA |
| End | | |
| Regular Plan – Growth Option | 1,166.3480 | 1,107.2931 |
| Regular Plan – Daily IDCW Option | 1,000.0064 | 1,000.0006 |
| Regular Plan – Weekly IDCW Option | 1,000.6202 | 1,000.1807 |
| Regular Plan – Monthly IDCW Option | 1,000.7501 | 1,000.5237 |
| Direct Plan – Growth Option | 1,172.9962 | 1,112.0680 |
| Direct Plan – Daily IDCW Option | 1,000.0067 | 1,000.0000 |
| Direct Plan – Weekly IDCW Option | 1,000.5934 | 1,000.1882 |
| Direct Plan – Monthly IDCW Option | 1,000.7615 | 1,000.5490 |
| Unclaimed IDCW less than 3 yrs * | 1,041.0436 | NA |
| Unclaimed IDCW more than 3 yrs * | 1,000.0000 | NA |
| Unclaimed Redemption less than 3 yrs * | 1,041.0438 | NA |
| Unclaimed Redemption more than 3 yrs * | 1,000.0000 | NA |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current year ended March 31, 2023 | Previous year ended March 31, 2022 |
|--|--------------------------------------|---------------------------------------|
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 319,545 | 96,361 |
| Average (AAuM) ¹ | 149,223 | 63,842 |
| 3. Gross income as % of AAuM ² * | 5.89% | 3.41% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) * | | |
| Regular Plan | 0.23% | 0.26% |
| Direct Plan | 0.10% | 0.11% |
| Unclaimed Plan | 0.10% | NA |
| b. Management Fee as % of AAuM (planwise)* | | |
| Regular Plan | 0.09% | 0.11% |
| Direct Plan | 0.05% | 0.05% |
| Unclaimed Plan | 0.05% | NA |
| 5. Net Income as a percentage of AAuM ³ * | 5.71% | 3.25% |
| 6. Portfolio turnover ratio ⁴ | NA | NA |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Retail | | |
| Regular Plan – Daily IDCW Option | 51.8801 | 31.3693 |
| Regular Plan – Weekly IDCW Option | 51.5109 | 31.4165 |
| Regular Plan – Monthly IDCW Option | 51.8378 | 31.3940 |
| Direct Plan – Daily IDCW Option | 53.7530 | 31.4746 |
| Direct Plan – Weekly IDCW Option | 53.0118 | 32.7671 |
| Direct Plan – Monthly IDCW Option | 27.6929 | 15.5305 |
| Corporate | | |
| Regular Plan – Daily IDCW Option | 51.8801 | 31.3693 |
| Regular Plan – Weekly IDCW Option | 51.5109 | 31.4165 |
| Regular Plan – Monthly IDCW Option | 51.8378 | 31.3940 |
| Direct Plan – Daily IDCW Option | 53.7530 | 31.4746 |
| Direct Plan – Weekly IDCW Option | 53.0118 | 32.7671 |
| Direct Plan – Monthly IDCW Option | 27.6929 | 15.5305 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan – Growth Option | 5.33% | 3.18% |
| Direct Plan – Growth Option | 5.46% | 3.34% |
| Benchmark | | |
| NIFTY 1D Rate Index | 5.53% | 3.35% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan – Growth Option | 3.94% | 3.62% |
| Direct Plan – Growth Option | 4.19% | 3.77% |
| Benchmark | | |
| NIFTY 1D Rate Index | 4.23% | 3.78% |

* Unclaimed plans were introduced in HSBC Overnight Fund on July 24, 2022

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year March 31, 2023 and March 31, 2022 are NIL.
- 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) are Rs. 8,767,923,833 and Rs. 7,049,624,625 respectively being 58.76% and 47.24% of the average net assets.
The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 399,301,960 and Rs. 399,980,420 respectively being 6.25% and 6.27% of the average net assets.
- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets as on March 31, 2023 and as on March 31, 2022 are Nil.

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

During the year 2022-23, 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 2021-22, 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 | Group Company | 2022-2023 | 90.78 | 0.09 | 1,062,051 | 21.76 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 45.78 | 0.17 | 1,281,773 | 78.74 |

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

- 3 Details of investors holding units in the scheme over 25% of the NAV as on March 31, 2023 and as on March 31, 2022 is Nil.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | | Face Value per unit (Rupees) |
|--|---------------|-----------------|-----------------|----------------|--|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | | |
| Regular Growth Option | 2,260,924.288 | 140,697,866.346 | 136,818,984.861 | 6,139,805.773 | | 1,000 |
| Regular Daily IDCW Option | 24,152.435 | 44,712.639 | 6,797.552 | 62,067.522 | | 1,000 |
| Regular Weekly IDCW Option | 52.634 | 48,280.910 | 171.983 | 48,161.561 | | 1,000 |
| Regular Monthly IDCW Option | 274.594 | 5,659.698 | 468.453 | 5,465.839 | | 1,000 |
| Direct Plan - Growth Option ** | 6,391,748.594 | 450,888,177.204 | 436,633,316.608 | 20,646,609.190 | | 1,000 |
| Direct Plan - Daily IDCW Option | 17.775 | 181.598 | 153.865 | 45.508 | | 1,000 |
| Direct Plan - Weekly IDCW Option | 6.359 | 456.356 | 35.587 | 427.128 | | 1,000 |
| Direct Plan - Monthly IDCW Option | 49.998 | 4,276.897 | 435.146 | 3,891.749 | | 1,000 |
| Unclaimed IDCW less than 3 years | - | 81,558.450 | 12,016.768 | 69,541.682 | | 1,000 |
| Unclaimed IDCW more than 3 years | - | 184,315.150 | 7,092.211 | 177,222.939 | | 1,000 |
| Unclaimed Redemption less than 3 years | - | 127,065.961 | 7,376.378 | 119,689.583 | | 1,000 |
| Unclaimed Redemption more than 3 years | - | 110,449.814 | 28,285.063 | 82,164.751 | | 1,000 |

| Description | 2021-2022 | | | | | Face Value per unit (Rupees) |
|-----------------------------------|---------------|-----------------|-----------------|---------------|--|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | | |
| Regular Growth Option | 1,390,745.938 | 61,920,988.322 | 61,050,809.972 | 2,260,924.288 | | 1,000 |
| Regular Daily IDCW Option | 30,731.623 | 3,361.122 | 9,940.310 | 24,152.435 | | 1,000 |
| Regular Weekly IDCW Option | 35,485.307 | 52.844 | 35,485.517 | 52.634 | | 1,000 |
| Regular Monthly IDCW Option | 13,269.581 | 346.944 | 13,341.931 | 274.594 | | 1,000 |
| Direct Plan - Growth Option ** | 1,833,351.934 | 186,575,464.284 | 182,017,067.624 | 6,391,748.594 | | 1,000 |
| Direct Plan - Daily IDCW Option | 17.112 | 5.666 | 5.003 | 17.775 | | 1,000 |
| Direct Plan - Weekly IDCW Option | 6.170 | 20.277 | 20.088 | 6.359 | | 1,000 |
| Direct Plan - Monthly IDCW Option | - | 69.997 | 19.999 | 49.998 | | 1,000 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 69,533.0456 and as on March 31, 2022 is 95,437.176.

- 5 Prior year amounts have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other Income Rs 1,446,301 represents Exit load credited to the scheme, Penal Interest received from Bank towards delay of RTGS/NEFT and Fund transfer from focused fund to HSBC Liquid Fund, HSBC Long Duration Fund & HSBC Ultra short Duration Fund, short funding in switch a/c and cross credit (HSBC Ultra Short Duration Fund). (2022 :- Nil.)

9 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAI.

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

10 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level as on March 31, 2022 ^ | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year^ (April 2022 to March 2023) |
|---------------------|---|---|---|
| HSBC Overnight Fund | Low | Low | 0 |

^ From the effective date (i.e. January 1, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 5, 2020.

- 11 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07, 2021, The details of Potential Risk Class matrix of schemes are given in below

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

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

- 12 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 13 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 14 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 15 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Banking & PSU Debt Fund **(Erstwhile L&T Banking and PSU Debt Fund)**

An open ended debt scheme primarily investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. A relatively high interest rate risk and relatively low credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC AMC will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Banking and PSU Debt Fund (Erstwhile L&T Banking and PSU Debt Fund) (HBPDF)

(An open-ended debt scheme primarily investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. A relatively high interest rate risk and relatively low credit.)

The scheme predominantly seeks to invest in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. A relatively high interest rate risk and relatively low credit risk.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HBPDF amounted to INR 4702.54 crores as at March 31, 2023 as against INR 4445.86 crores as at March 31, 2022. Around 96.14% of the net assets were invested in Debt, 23.31% of the net assets were invested in reverse repos/TREPS and (-19.45%) in net current assets as at March 31, 2023.



HBPDF is predominantly positioned in the ~3-year segment and offers a prudent portfolio considering the risk appetite whilst seeking optimal returns. HBPDF continues to maintain the highest credit quality, with 100% of the portfolio in AAA or equivalent securities and ideally suited for investors seeking a very high portfolio quality.

HBPDF was overweight on duration compared to the benchmark. The upward movement on yields lead to the underperformance of the scheme over the last 1 year.

| HSBC Banking and PSU Debt Fund | | | | Date of Inception : 12 September, 2012 | | | | |
|---|---------------|----------------|---------------|--|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Banking and PSU Debt Fund | 10,205 | 2.05 | 11,463 | 4.66 | 13,403 | 6.02 | 20,615 | 7.10 |
| Scheme Benchmark (NIFTY Banking & PSU Debt Index) | 10,371 | 3.71 | 11,725 | 5.45 | 13,681 | 6.45 | 21,566 | 7.55 |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 19,218 | 6.39 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|------------------------------|--|--|
| HSBC Banking & PSU Debt Fund |  <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: NIFTY Banking & PSU Debt Index</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Potential Risk Class (PRC) Matrix for Scheme:

| HSBC Banking & PSU Debt Fund | | | |
|---|--------------------------|--------------------|---------------------------|
| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | | | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | AIII | | |
| A Scheme with Relatively High interest rate risk and Low credit risk. | | | |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD 30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp

Trustees' Report

For the year ended March 31, 2023 (Contd...)

interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|--------------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Banking and PSU Debt Fund | 122 | 16,688.52 | 10 | 149,709.29 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|--------------------------------|---|---|--|
| HSBC Banking and PSU Debt Fund | Moderate | Moderate | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR: NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Banking and PSU Debt Fund (Erstwhile known as L&T Banking and PSU Debt Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Banking and PSU Debt Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth

Independent Auditors' Report *(Contd...)*

Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXR7800

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|---|-------------------------|-------------------------|
| LIABILITIES | | |
| 1 Unit Capital | 223,775.14 | 214,302.79 |
| 2 Reserves & Surplus | | |
| 2.1 Unit Premium Reserves | 14,774.25 | 14,221.87 |
| 2.2 Unrealised Appreciation Reserve | - | - |
| 2.3 Other Reserves | 237,673.44 | 216,307.84 |
| 3 Loans & Borrowings | - | - |
| 4 Current Liabilities & Provisions | | |
| 4.1 Provision for Doubtful Income/Deposits | - | - |
| 4.2 Other Current Liabilities & Provisions | 89,995.40 | 229.90 |
| TOTAL | 566,218.23 | 445,062.40 |
| 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 | 304,214.23 | 303,702.16 |
| 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 | 136,542.95 | 125,692.19 |
| 1.5 Treasury Bills | - | - |
| 1.6 Commercial Paper/Certificate of Deposits | - | - |
| 1.8 PTC | - | - |
| 1.9 Units of Domestic Mutual Fund | - | - |
| 1.10 Foreign Securities | - | - |
| Total Investments | 440,757.18 | 429,394.35 |
| 2 Deposits | 498.61 | 91.36 |
| 3 Other Current Assets | | |
| 3.1 Cash & Bank Balance | 605.47 | 270.64 |
| 3.2 CBLO/TREPS/Reverse Repo Lending | 109,574.90 | 4,550.71 |
| 3.3 Others | 14,782.07 | 10,755.34 |
| 4 Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | 566,218.23 | 445,062.40 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|--------------------|---|--|
| 1 INCOME | | | |
| 1.1 Dividend | | - | - |
| 1.2 Interest | | 27,705.96 | 27,584.74 |
| 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 | | (7,305.53) | (2,479.76) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | | - | - |
| 1.7 Other Income | | 1.31 | 3.39 |
| | (A) | 20,401.74 | 25,108.37 |
| 2 EXPENSES | | | |
| 2.1 Management Fees | | 644.93 | 691.15 |
| 2.2 GST on Management Fees | | 116.09 | 124.41 |
| 2.3 Transfer Agents Fees and Expenses | | 132.65 | 127.73 |
| 2.4 Custodian Fees | | 5.69 | 9.07 |
| 2.5 Trusteeship Fees | | 2.42 | 3.22 |
| 2.6 Commission to Agents | | 409.50 | 443.69 |
| 2.7 Marketing & Distribution Expenses | | 3.00 | 0.71 |
| 2.8 Audit Fees | | 5.18 | 5.19 |
| 2.9 Investor Education Expenses | | 87.58 | 89.83 |
| 2.10 Interest on Borrowing | | - | - |
| 2.11 Other Operating Expenses | | 13.67 | 4.91 |
| | (B) | 1,420.71 | 1,499.91 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR | (C = A - B) | 18,981.03 | 23,608.46 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | (8,802.34) | 278.28 |
| 5 NET GAINS / (LOSSES) FOR THE YEAR | (E = C + D) | 10,178.69 | 23,886.74 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | - | (4,538.88) |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR | (G = E + F) | 10,178.69 | 19,347.86 |
| 7.1 Add: Balance Transfer from Unrealised Appreciation Reserve | | - | 4,538.88 |
| 7.2 Less: Balance Transfer to Unrealised Appreciation Reserve | | - | - |
| 7.3 Add/(Less) : Equalisation | | 11,251.07 | (27,443.26) |
| 7.4 Transfer from Reserve Fund | | 216,307.84 | 219,925.97 |
| 7.5 Transfer from Unit Premium Reserve | | - | - |
| 8 Total | | 237,737.60 | 216,369.45 |
| 9 Dividend Appropriation | | | |
| 9.1 Income Distributed during the Year | | (64.18) | (61.60) |
| 9.2 Tax on Income Distributed during the Year | | - | - |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | | 237,673.42 | 216,307.85 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------------|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 20.2002 | 19.4044 |
| Regular Plan - Daily IDCW Option | 11.1160 | 11.0766 |
| Regular Plan - Weekly IDCW Option | 10.7682 | 10.8114 |
| Regular Plan - Monthly IDCW Option | 11.1814 | 11.2877 |
| Direct Plan - Growth Option | 21.0165 | 20.1120 |
| Direct Plan - Daily IDCW Option | 11.1907 | 11.1611 |
| Direct Plan - Weekly IDCW Option | 10.7854 | 10.8150 |
| Direct Plan - Monthly IDCW Option | 11.6557 | 11.6990 |
| High | | |
| Regular Plan - Growth Option | 20.6149 | 20.2002 |
| Regular Plan - Daily IDCW Option | 11.1160 | 11.1160 |
| Regular Plan - Weekly IDCW Option | 10.7639 | 10.8646 |
| Regular Plan - Monthly IDCW Option | 11.1784 | 11.3700 |
| Direct Plan - Growth Option | 21.5296 | 21.0165 |
| Direct Plan - Daily IDCW Option | 11.1907 | 11.1907 |
| Direct Plan - Weekly IDCW Option | 10.7816 | 10.8785 |
| Direct Plan - Monthly IDCW Option | 11.6532 | 11.7963 |
| Low | | |
| Regular Plan - Growth Option | 19.5905 | 19.4313 |
| Regular Plan - Daily IDCW Option | 10.7805 | 11.0625 |
| Regular Plan - Weekly IDCW Option | 10.2837 | 10.7417 |
| Regular Plan - Monthly IDCW Option | 10.7048 | 11.1484 |
| Direct Plan - Growth Option | 20.3905 | 20.1415 |
| Direct Plan - Daily IDCW Option | 10.8573 | 11.1376 |
| Direct Plan - Weekly IDCW Option | 10.3103 | 10.7584 |
| Direct Plan - Monthly IDCW Option | 11.2155 | 11.6102 |
| End | | |
| Regular Plan - Growth Option | 20.6149 | 20.2002 |
| Regular Plan - Daily IDCW Option | 11.1160 | 11.1160 |
| Regular Plan - Weekly IDCW Option | 10.3383 | 10.7682 |
| Regular Plan - Monthly IDCW Option | 10.7452 | 11.1814 |
| Direct Plan - Growth Option | 21.5296 | 21.0165 |
| Direct Plan - Daily IDCW Option | 11.1907 | 11.1907 |
| Direct Plan - Weekly IDCW Option | 10.3657 | 10.7854 |
| Direct Plan - Monthly IDCW Option | 11.2734 | 11.6557 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 470,254 | 444,833 |
| Average (AAuM) ¹ | 437,882 | 449,155 |
| 3. Gross income as % of AAuM ² | 4.66% | 5.59% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.61% | 0.61% |
| Direct Plan | 0.23% | 0.23% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.15% | 0.17% |
| Direct Plan | 0.15% | 0.15% |
| 5. Net Income as a percentage of AAuM ² | 4.33% | 5.26% |
| 6. Portfolio turnover ratio ³ | N.A. | N.A. |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Regular Plan - Daily IDCW Option | 0.2260 | 0.4074 |
| Regular Plan - Weekly IDCW Option | 0.6339 | 0.4784 |
| Regular Plan - Monthly IDCW Option | 0.6500 | 0.5600 |
| Direct Plan - Daily IDCW Option | 0.2700 | 0.4768 |
| Direct Plan - Weekly IDCW Option | 0.6644 | 0.5064 |
| Direct Plan - Monthly IDCW Option | 0.6500 | 0.5600 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 2.05% | 4.10% |
| Direct Plan - Growth Option | 2.44% | 4.50% |
| Benchmark | | |
| NIFTY Banking & PSU Debt Index | 3.71% | 4.93% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 7.10% | 7.64% |
| Direct Plan - Growth Option | 7.51% | 8.07% |
| Benchmark | | |
| NIFTY Banking & PSU Debt Index | 7.55% | 7.96% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 is NIL.
- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentage to net assets are as under :

| Scheme Name/Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Bonds and Debentures | | | | |
| - Appreciation | 9,279,277 | 0.02% | 10,492,138 | 0.02% |
| - Depreciation | 785,590,466 | 1.67% | 57,788,666 | 0.13% |
| Commercial Papers / Certificate of Deposits | | | | |
| - Appreciation | - | - | - | - |
| - Depreciation | - | - | - | - |
| Government of India Securities | | | | |
| - Appreciation | - | - | - | - |
| - Depreciation | 197,882,584 | 0.42% | 46,663,637 | 0.10% |

- 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) are Rs. 24,241,060,482 and Rs. 21,615,207,343 being 55.36% and 49.36% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 52,992,881,913 and Rs. 53,281,255,099 being 117.98% and 118.63% of the average 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 |
|-------------------|-----------------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Debt | 23,729,990,355 | 0.50 | - | - |
| Total | 23,729,990,355 | 0.50 | - | - |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023****2 Disclosure Under Regulation 25(8) of the Securities And Exchange Board Of India (Mutual Funds) Regulations, 1996 as amended**

During the year 2022-23, 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 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|---|--|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 18.87 | 0.94 | 78,435 | 0.21 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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

- 3 None of the Investors held more than 25% of the total net assets of the schemes at the year ended March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | Opening Units | Subscription | Redemption | Closing Units | Face value |
|------------------------------|-------------------|-----------------|-----------------|-------------------|------------|
| | 2022-23 | | | | |
| Regular Plan - Growth Option | 554,805,568.185 | 140,510,972.451 | 168,689,684.874 | 526,626,855.762 | 10 |
| Regular Plan - Daily IDCW | 90,406.417 | 24,806.848 | 43,493.735 | 71,719.530 | 10 |
| Regular Plan - Weekly IDCW | 206,118.609 | 54,107.707 | 33,643.767 | 226,582.549 | 10 |
| Regular Plan - Monthly IDCW | 990,756.021 | 576,846.224 | 560,240.468 | 1,007,361.777 | 10 |
| Direct Plan Growth Option** | 1,577,329,597.741 | 806,025,615.179 | 679,363,982.511 | 1,703,991,230.410 | 10 |
| Direct Plan Daily IDCW | 25,831.392 | 996.038 | 1,737.549 | 25,089.882 | 10 |
| Direct Plan Weekly IDCW | 193,126.129 | 3,763.103 | 178,589.807 | 18,299.425 | 10 |
| Direct Plan Monthly IDCW | 9,386,490.786 | 20,215.211 | 3,622,411.282 | 5,784,294.715 | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| Description | Opening Units | Subscription | Redemption | Closing Units | Face value |
|------------------------------|-------------------|-----------------|-------------------|-------------------|------------|
| | 2021-22 | | | | |
| Regular Plan - Growth Option | 623,268,551.633 | 211,313,952.518 | 279,776,935.966 | 554,805,568.185 | 10 |
| Regular Plan - Daily IDCW | 82,597.798 | 62,462.222 | 54,653.603 | 90,406.417 | 10 |
| Regular Plan - Weekly IDCW | 441,052.756 | 27,773.811 | 262,707.958 | 206,118.609 | 10 |
| Regular Plan - Monthly IDCW | 735,342.757 | 632,443.127 | 377,029.863 | 990,756.021 | 10 |
| Direct Plan Growth Option** | 1,798,360,516.976 | 953,250,486.408 | 1,174,281,405.644 | 1,577,329,597.741 | 10 |
| Direct Plan Daily IDCW | 30,052.953 | 7,179,265.440 | 7,183,487.002 | 25,831.392 | 10 |
| Direct Plan Weekly IDCW | 189,922.036 | 18,139.491 | 14,935.398 | 193,126.129 | 10 |
| Direct Plan Monthly IDCW | 11,247,737.529 | 288,863,602.622 | 290,724,849.365 | 9,386,490.786 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 1,522,506.531 & as on March 31, 2022 is 344,758.469.

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income: Rs. 130,963/- represents Exit load credited to the scheme. (2022: Rs. 338,582/- represents Exit load credited to the scheme)
- 9 **Investor Education Awareness**

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEA).

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------------|----------------------|
| | Amount (in Rs. Lacs) | Amount (in Rs. Lacs) |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|--------------------------------|---|---|--|
| HSBC Banking and PSU Debt Fund | Moderate | Moderate | 0 |

- Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below:

| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
|-----------------------------|--------------------------|--------------------|---------------------------|
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | | | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | AIII | | |

A Scheme with Relatively High interest rate risk and Low credit risk.

- HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Dynamic Bond Fund (Erstwhile L&T Flexi Bond Fund)

An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively low credit risk.

Abridged Annual Report 2022 - 2023

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla

– Chairperson

Mr. Nani Javeri

– Trustee

Dr. T. C. Nair

– Trustee

Ms. Ho Wai Fun

– Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal

– Director

Dr. Indu Shahani

– Director

Mr. Kailash Kulkarni

– Director & Chief Executive Officer

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "**MF Regulations**"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Dynamic Bond Fund (Erstwhile L&T Flexi Bond Fund) (HDBF)

(Dynamic Bond Fund - An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively low credit risk.)

The investment objective of the scheme is 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,

Trustees' Report

For the year ended March 31, 2023 (Contd...)

through active investment in debt and money market instruments. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HDBF amounted to INR 198.75 crores as at March 31, 2023 as against INR 57.85 crores as at March 31, 2022. Around 98.99% of the net assets were invested in Debt, 1.21% of the net assets were invested in reverse repos/TREPS and (-0.2%) in net current assets as at March 31, 2023.



HDBF aims to generate alpha and yield accruals through high quality credit selection and active duration management. HDBF endeavors to generate positive returns from even the lowest interest rates in the cycle, irrespective of the interest rate cycle, through active duration management along with dynamic asset allocation. In the current scenario where interest rates are nearing the peak in this cycle, there are opportunities to capture alpha through strategic overweight duration in this fund. It is an actively managed fund investing across the yield curve in Govt. Securities and high quality AAA rated credits to generate alpha. Dynamic duration management to seize potential upsides when interest rates are expected to soften while also reducing risks in an uncertain environment. HDBF's diversified portfolio is spread across government securities, corporate bonds and money market instruments. HDBF maintains a highly liquid portfolio so as to enable positioning changes based on evolving scenario.

HDBF has outperformed the benchmark in the 1-year horizon as the fund was strategically running high cash position and was able to capture upward movement in yields in favor.

| HSBC Dynamic Bond Fund | | | | Date of Inception : 27 September, 2010 | | | | |
|---|---------------|----------------|---------------|--|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Dynamic Bond Fund | 10,299 | 2.99 | 11,367 | 4.36 | 13,394 | 6.01 | 25,027 | 7.61 |
| Scheme Benchmark (NIFTY Composite Debt Index A-III) | 10,333 | 3.33 | 11,728 | 5.46 | 14,007 | 6.96 | 25,002 | 7.60 |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 21,306 | 6.23 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|------------------------|---|---|
| HSBC Dynamic Bond Fund |  <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: NIFTY Composite Debt Index A-III</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class (PRC) Matrix for Scheme:

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

Potential Risk Class ("PRC") matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp recent rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Dynamic Bond Fund | 492 | 197,083.72 | 8 | 293,275.79 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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, 2023 (Contd...)

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorskhaj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/MD/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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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, 2023 (Contd...)

11. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|------------------------|---|---|--|
| HSBC Dynamic Bond Fund | Low to Moderate | Moderate | 3 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR: NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Dynamic Bond Fund (Erstwhile known as L&T Flexi Bond Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Dynamic Bond Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme

Independent Auditors' Report *(Contd...)*

and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXQ6545

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 2,425.40 |
| | 8,199.55 | |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (8.66) |
| 2.2 | Unrealised Appreciation Reserve | 0.21 |
| 2.3 | Other Reserves | 3,364.69 |
| | 11,584.41 | |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 60.31 |
| | 93.95 | |
| | TOTAL | 5,841.95 |
| | 19,978.41 | |
| 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 | - |
| | 10,842.87 | |
| 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 | 412.70 |
| 1.5 | Treasury Bills | 3,849.35 |
| 1.6 | Commercial Paper | - |
| 1.7 | Certificate of Deposits | - |
| 1.8 | Bill Rediscounting | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | 8,386.78 | |
| | Total Investments | 4,262.05 |
| | 19,229.65 | |
| 2 | Deposits | 8.36 |
| | 0.69 | |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 48.42 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 1,511.06 |
| 3.3 | Others | 12.06 |
| | 446.58 | |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 5,841.95 |
| | 19,978.41 | |

Notes to Accounts – Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | - | - |
| 1.2 Interest | 674.89 | 315.15 |
| 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 | (12.98) | (98.83) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 0.87 | 1.56 |
| | (A) 662.78 | 217.88 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 47.53 | 41.58 |
| 2.2 GST on Management Fees | 8.56 | 7.48 |
| 2.3 Transfer Agents Fees and Expenses | 4.70 | 2.81 |
| 2.4 Custodian Fees | 0.07 | 0.03 |
| 2.5 Trusteeship Fees | 0.12 | 0.04 |
| 2.6 Commission to Agents | 45.46 | 23.98 |
| 2.7 Marketing & Distribution Expenses | 0.40 | 0.09 |
| 2.8 Audit Fees | 0.13 | 0.07 |
| 2.9 Investor Education Expenses | 2.13 | 1.26 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 1.88 | 3.92 |
| 2.12 Less : Expenses to be Reimbursed by the Investment Manager | - | - |
| | (B) 110.98 | 81.26 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B) | 551.80 | 136.62 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) (30.67) | 63.23 |
| 5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D) | 521.13 | 199.85 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) (0.21) | 0.21 |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F) | 520.92 | 200.06 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 0.21 | (0.21) |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 Add/(Less) : Equalisation | 7,715.49 | (553.35) |
| 7.4 Transfer from Reserve Fund | 3,364.69 | 3,727.39 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 11,601.31 | 3,373.89 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (16.91) | (9.20) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 11,584.41 | 3,364.69 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 23.8905 | 23.2351 |
| Regular Plan - Monthly IDCW Option | 10.7703 | 11.1215 |
| Regular Plan - Annual IDCW Option | 10.7131 | 10.9061 |
| Direct Plan - Growth Option | 25.3981 | 24.5241 |
| Direct Plan - Monthly IDCW Option | 12.7873 | 13.1086 |
| Direct Plan - Annual IDCW Option | 11.1622 | 11.2810 |
| High | | |
| Regular Plan - Growth Option | 24.8964 | 23.9278 |
| Regular Plan - Monthly IDCW Option | 10.7767 | 11.2071 |
| Regular Plan - Annual IDCW Option | 11.1506 | 11.2313 |
| Direct Plan - Growth Option | 26.6428 | 25.3981 |
| Direct Plan - Monthly IDCW Option | 12.8386 | 13.2247 |
| Direct Plan - Annual IDCW Option | 11.6944 | 11.6769 |
| Low | | |
| Regular Plan - Growth Option | 24.4392 | 23.2777 |
| Regular Plan - Monthly IDCW Option | 10.6560 | 10.7589 |
| Regular Plan - Annual IDCW Option | 10.3475 | 10.6969 |
| Direct Plan - Growth Option | 26.1062 | 24.5768 |
| Direct Plan - Monthly IDCW Option | 12.6911 | 12.7722 |
| Direct Plan - Annual IDCW Option | 10.8414 | 11.1423 |
| End | | |
| Regular Plan - Growth Option | 24.8964 | 23.8905 |
| Regular Plan - Monthly IDCW Option | 10.6827 | 10.7703 |
| Regular Plan - Annual IDCW Option | 10.3629 | 10.7131 |
| Direct Plan - Growth Option | 26.6428 | 25.3981 |
| Direct Plan - Monthly IDCW Option | 12.7228 | 12.7873 |
| Direct Plan - Annual IDCW Option | 10.8580 | 11.1622 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 19,875 | 5,782 |
| Average (AAuM) ¹ | 10,631 | 6,296 |
| 3. Gross income as % of AAuM ² | 6.23% | 3.46% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.20% | 1.62% |
| Direct Plan | 0.59% | 0.90% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 0.46% | 0.67% |
| Direct Plan | 0.41% | 0.65% |
| 5. Net Income as a percentage of AAuM ³ | 5.19% | 2.17% |
| 6. Portfolio turnover ratio ⁴ | N.A. | N.A. |

Key Statistics for the year ended March 31, 2023 *(Contd...)*

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - Monthly IDCW Option | 0.3200 | 0.6600 |
| Regular Plan - Annual IDCW Option | – | 0.5000 |
| Direct Plan - Monthly IDCW Option | 0.4000 | 0.7800 |
| Direct Plan - Annual IDCW Option | – | 0.5200 |
| Corporate | | |
| Regular Plan - Monthly IDCW Option | 0.3200 | 0.6600 |
| Regular Plan - Annual IDCW Option | – | 0.5000 |
| Direct Plan - Monthly IDCW Option | 0.4000 | 0.7800 |
| Direct Plan - Annual IDCW Option | – | 0.5200 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 2.99% | 2.82% |
| Direct Plan - Growth Option | 3.70% | 3.57% |
| Benchmark | | |
| NIFTY COMPOSITE DEBT INDEX A-III | 3.33% | 5.12% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 7.61% | 7.86% |
| Direct Plan - Growth Option | 8.01% | 8.38% |
| Benchmark | | |
| NIFTY COMPOSITE DEBT INDEX A-III | 7.60% | 8.07% |

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, 2023

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 for the period ended March 31, 2023 & March 31, 2022 is NIL.
- 1.3. Investments in Associates and Group Companies as on March 31, 2023 & March 31, 2022 is Nil.
- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the period ended March 31, 2023 & March 31, 2022 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 & March 31, 2022 is Nil.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year and percentages to net assets are as under :

(Rupees)

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Non Convertible Debentures/ Bond | | | | |
| - Appreciation | 1,190,996 | 0.06% | - | - |
| - Depreciation | 1,468,598 | 0.07% | - | - |
| Treasury Bills | | | | |
| - Appreciation | - | - | 20,788 | 0.00~ |
| - Depreciation | - | - | - | - |
| Central and State Government Securities | | | | |
| - Appreciation | - | - | - | - |
| - Depreciation | 3,410,702 | 0.17% | 621,000 | 0.11% |

(-) - 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 2022-23 (excluding accretion of discount) are Rs. 2,557,824,756 and Rs. 2,938,586,795 respectively being 240.60% and 276.42% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 2,234,412,803 and Rs. 2,192,549,337 respectively being 354.89% and 348.24% of the average net assets.

- 1.8. Non-Traded securities in the portfolio of the scheme as on the year ended March 31, 2023 & March 31, 2022 is below :

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|-------------------|--------------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Debt | 934,691,700 | 47.03% | - | - |
| Total | 934,691,700 | 47.03% | - | - |

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

During the year 2022-23, 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.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

During the year 2021-22, 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 | Group Company | 2022-2023 | 141.48 | 56.91 | 4,028,622 | 51.19 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | | | Nil | |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is 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, 2023.
- 4 Unit Capital movement during the year ended March 31, 2023.

| Description | 2022-23 | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 12,075,661.396 | 64,118,216.409 | 11,323,735.092 | 64,870,142.712 | 10 |
| Regular Plan - Monthly IDCW Option | 787,378.916 | 5,001,650.222 | 1,268,829.130 | 4,520,200.008 | 10 |
| Regular Plan - Annual IDCW Option | 225,282.320 | 26,239.793 | 17,101.514 | 234,420.599 | 10 |
| Direct Plan - Growth Option** | 10,792,229.493 | 22,960,013.004 | 21,879,052.003 | 11,873,190.494 | 10 |
| Direct Plan - Monthly IDCW | 310,773.451 | 261,797.321 | 130,616.883 | 441,953.889 | 10 |
| Direct Plan - Annual IDCW | 62,635.705 | 34,948.753 | 41,949.309 | 55,635.149 | 10 |

| Description | 2021-22 | | | | |
|------------------------------------|----------------|---------------|---------------|----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 15,745,331.673 | 696,834.340 | 4,366,504.617 | 12,075,661.396 | 10 |
| Regular Plan - Monthly IDCW Option | 871,842.166 | 41,360.198 | 125,823.447 | 787,378.916 | 10 |
| Regular Plan - Annual IDCW Option | 234,377.951 | 15,090.153 | 24,185.784 | 225,282.320 | 10 |
| Direct Plan - Growth Option** | 11,149,111.973 | 1,257,793.923 | 1,614,676.403 | 10,792,229.493 | 10 |
| Direct Plan - Monthly IDCW | 290,162.207 | 64,836.008 | 44,224.764 | 310,773.451 | 10 |
| Direct Plan - Annual IDCW | 66,597.136 | 16,864.749 | 20,826.180 | 62,635.705 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 845,119.282 & as on March 31, 2022 is 331,793.81.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 87,091/- represents Exit load credited to the scheme . (2022: Rs. 156,115 represents Exit load credited to the scheme)

9 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAI.

| | March 31, 2023 | March 31, 2022 |
|--|-----------------------|-----------------------|
| Particulars | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 11 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 12 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|------------------------|--|--|---|
| HSBC Dynamic Bond Fund | Moderate | Low to Moderate | 3 |

- 13 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below:

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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

- 14 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 15 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Ultra Short Duration Fund

An open ended ultra-short term debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 3 months to 6 months. A relatively Low interest rate risk and Moderate credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

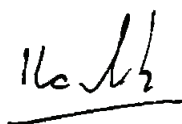
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ("Fund") presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "**MF Regulations**"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt 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. Relatively low interest rate risk and relatively low credit risk.)

The investment object of the scheme is 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

assurance that the investment objective of the scheme will be achieved.

The net assets of HUSDF amounted to INR 2114.22 crores as at March 31, 2023 as against INR 1540.60 crores as at March 31, 2022. Around 94.43% of the net assets were invested in Debt, 6.91% of the net assets were invested in reverse repos/TREPS and (-1.34%) in net current assets as at March 31, 2023.

HUSDF largely maintains high credit quality portfolio of securities with investment predominantly in securities that have high short term credit quality rating. The security selection is predominantly driven by investment team's view on credit spreads, liquidity and the risk reward assessment of each security. HUSDF typically has a relatively higher portfolio average maturity as compared to liquid/cash fund and continues to focus on high credit quality securities (100% AAA portfolio) and a liquid portfolio. The fund manager remains neutral to positive on duration currently and the focus continues to be on the accrual returns in the portfolio.



HUSDF underperformed its benchmark index due to conservative investments and limiting overall investment tenor up to 1 year. HUSDF's exposure being long term AAA rated credit led to marginal underperformance versus its benchmark index.

| HSBC Ultra Short Duration Fund | | | | | Date of Inception : 30 January, 2020 | | | |
|--|---------------|----------------|---------------|----------------|--------------------------------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Ultra Short Duration Fund | 10,528 | 5.28 | 11,425 | 4.54 | NA | NA | 11,543 | 4.63 |
| Scheme Benchmark (NIFTY Ultra Short Duration Debt Index B-I) | 10,597 | 5.97 | 11,619 | 5.13 | NA | NA | 11,745 | 5.20 |
| Additional Benchmark (NIFTY Ultra Short Duration Debt Index) | 10,613 | 6.13 | 11,586 | 5.03 | NA | NA | 11,705 | 5.09 |
| Additional Benchmark (CRISIL 1 Year T Bill Index) | 10,449 | 4.49 | 11,347 | 4.30 | NA | NA | 11,529 | 4.59 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--------------------------------|--|---|
| HSBC Ultra Short Duration Fund |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index: NIFTY Ultra Short Duration Debt Index B-I</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class (PRC) Matrix for Scheme:

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

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|--------------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Ultra Short Duration Fund | 1,412 | 255,178.14 | 40 | 1,516,706.80 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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, 2023 (Contd...)

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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, 2023 (Contd...)

11. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|--------------------------------|---|---|--|
| HSBC Ultra Short Duration Fund | Low to Moderate | Low to Moderate | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR: NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

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 accompanying financial statements of **HSBC Ultra Short Duration Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of

Independent Auditors' Report (Contd...)

adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale
Partner
Membership No: 117812
UDIN: 23117812BGXQYN4930

Place : Mumbai
Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|--|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | |
| | 189,949.12 | 150,993.46 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (116.26) |
| 2.2 | Unrealised Appreciation Reserve | 160.76 |
| 2.3 | Other Reserves | 15,328.44 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 382.95 |
| | 382.95 | 100.30 |
| | TOTAL | 220,754.60 |
| | 220,754.60 | 166,366.52 |
| 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 | 37,186.35 |
| 1.1.5 | Securitized Debt Securities | 19,280.79 |
| 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 | 26,019.26 |
| 1.6 | Commercial Paper / Certificate of Deposits | 135,237.24 |
| 1.8 | PTC | 18,663.42 |
| 1.9 | Units of Domestic Mutual Fund | 115,365.53 |
| 1.10 | Foreign Securities | - |
| | Total Investments | 198,442.85 |
| | 198,442.85 | 153,309.74 |
| 2 | Deposits | 7.19 |
| | 7.19 | 52.00 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 6,511.17 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 14,615.42 |
| 3.3 | Others | 1,177.97 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | 438.21 |
| | TOTAL | 220,754.60 |
| | 220,754.60 | 166,366.52 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | - | - |
| 1.2 Interest | 10,960.40 | 7,986.15 |
| 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 | (862.60) | (1,792.07) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 1.58 | 1.79 |
| (A) | 10,099.38 | 6,195.87 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 270.22 | 220.26 |
| 2.2 GST/Service Tax on Management Fees | 48.64 | 39.65 |
| 2.3 Transfer Agents Fees and Expenses | 44.62 | 53.40 |
| 2.4 Custodian Fees | 2.67 | 8.13 |
| 2.5 Trusteeship Fees | 3.58 | 4.01 |
| 2.6 Commission to Agents | 50.41 | 63.26 |
| 2.7 Marketing & Distribution Expenses | 2.03 | 0.13 |
| 2.8 Audit Fees | 2.11 | 1.11 |
| 2.9 Investor Education Expenses | 35.67 | 31.01 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 12.65 | 12.81 |
| (B) | 472.60 | 433.77 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) | 9,626.78 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | 71.32 |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) | 9,698.10 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | 100.18 |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) | 9,798.28 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | - | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | 100.18 | 27.38 |
| 7.3 Add/(Less) : Equalisation | 6,347.52 | 5,944.46 |
| 7.4 Transfer from Reserve Fund | 15,328.44 | 3,671.51 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 31,374.06 | 15,408.96 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (54.64) | (80.52) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 31,319.42 | 15,328.44 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 1,096.1100 | 1,057.9746 |
| Regular Plan - Daily IDCW Option | 1,028.8960 | 1,026.9009 |
| Regular Plan - Weekly IDCW Option | 1,030.7704 | 1,025.0560 |
| Regular Plan - Monthly IDCW Option | 1,023.1215 | 1,019.9867 |
| Direct Plan - Growth Option | 1,102.3053 | 1,061.2015 |
| Direct Plan - Daily IDCW Option | 1,076.5215 | 1,036.4393 |
| Direct Plan - Weekly IDCW Option | 1,009.0793 | 1,008.6782 |
| Direct Plan - Monthly IDCW Option | 1,012.4549 | 1,009.1453 |
| High | | |
| Regular Plan - Growth Option | 1,154.1265 | 1,096.1100 |
| Regular Plan - Daily IDCW Option | 1,039.7551 | 1,028.8960 |
| Regular Plan - Weekly IDCW Option | 1,043.4333 | 1,030.7704 |
| Regular Plan - Monthly IDCW Option | 1,033.2989 | 1,025.1549 |
| Direct Plan - Growth Option | 1,163.6546 | 1,102.3053 |
| Direct Plan - Daily IDCW Option | 1,088.7821 | 1,076.5215 |
| Direct Plan - Weekly IDCW Option | 1,009.5178 | 1,009.8297 |
| Direct Plan - Monthly IDCW Option | 1,017.8565 | 1,014.6247 |
| Low | | |
| Regular Plan - Growth Option | 1,096.2100 | 1,058.4686 |
| Regular Plan - Daily IDCW Option | 1,028.9899 | 1,026.9009 |
| Regular Plan - Weekly IDCW Option | 1,030.8644 | 1,024.6295 |
| Regular Plan - Monthly IDCW Option | 1,023.2149 | 1,018.7670 |
| Direct Plan - Growth Option | 1,102.4685 | 1,061.7347 |
| Direct Plan - Daily IDCW Option | 1,076.6796 | 1,036.9585 |
| Direct Plan - Weekly IDCW Option | 1,006.8012 | 1,008.0996 |
| Direct Plan - Monthly IDCW Option | 1,009.7908 | 1,007.9078 |
| End | | |
| Regular Plan - Growth Option | 1,154.1265 | 1,096.1100 |
| Regular Plan - Daily IDCW Option | 1,031.7278 | 1,028.8960 |
| Regular Plan - Weekly IDCW Option | 1,042.9825 | 1,030.7704 |
| Regular Plan - Monthly IDCW Option | 1,028.6128 | 1,023.1215 |
| Direct Plan - Growth Option | 1,163.6546 | 1,102.3053 |
| Direct Plan - Daily IDCW Option | 1,079.9409 | 1,076.5215 |
| Direct Plan - Weekly IDCW Option | 1,008.8549 | 1,009.0793 |
| Direct Plan - Monthly IDCW Option | 1,013.0158 | 1,012.4549 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 211,422 | 154,060 |
| Average (AAuM) ¹ | 178,331 | 155,054 |
| 3. Gross income as % of AAuM ² | | |
| | 5.66% | 4.00% |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAUM (including GST on Management fees) (planwise) | | |
| Regular Plan - Growth Option | 0.48% | 0.48% |
| Direct Plan - Growth Option | 0.22% | 0.22% |
| b. Management Fee as % of AAUM (planwise) | | |
| Regular Plan - Growth Option | 0.22% | 0.18% |
| Direct Plan - Growth Option | 0.14% | 0.13% |
| 5. Net Income as a percentage of AAUM ³ | 5.40% | 3.72% |
| 6. Portfolio turnover ratio ⁴ | NA | NA |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Retail | | |
| Regular Plan - Daily IDCW Option | 50.4039 | 34.3986 |
| Regular Plan - Weekly IDCW Option | 41.4616 | 30.6055 |
| Regular Plan - Monthly IDCW Option | 47.5795 | 33.0218 |
| Direct Plan - Daily IDCW Option | 55.2517 | – |
| Direct Plan - Weekly IDCW Option | 54.8319 | 38.0694 |
| Direct Plan - Monthly IDCW Option | 54.3588 | 35.0838 |
| Corporate | | |
| Regular Plan - Daily IDCW Option | 50.4039 | 34.3986 |
| Regular Plan - Weekly IDCW Option | 41.4616 | 30.6055 |
| Regular Plan - Monthly IDCW Option | 47.5795 | 33.0218 |
| Direct Plan - Daily IDCW Option | 55.2517 | – |
| Direct Plan - Weekly IDCW Option | 54.8319 | 38.0694 |
| Direct Plan - Monthly IDCW Option | 54.3588 | 35.0838 |
| 8. Returns(%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 5.28% | 3.61% |
| Direct Plan - Growth Option | 5.53% | 3.87% |
| Benchmark | | |
| NIFTY Ultra Short Duration Debt Index B-I | 5.97% | 4.32% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 4.63% | 4.32% |
| Direct Plan - Growth Option | 4.87% | 4.59% |
| Benchmark | | |
| NIFTY Ultra Short Duration Debt Index B-I | 5.20% | 5.01% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2022 and March 31, 2021 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2022 and March 31, 2021 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 |
|---|--------------|--------------------------|--------------|--------------------------|
| | 2023 | | 2022 | |
| Non Convertible Debentures and Bonds Listed/Awaiting Listing | | | | |
| – Appreciation | 9,432,190 | 0.04 | 90,483 | ~0.00 |
| – Depreciation | – | – | 7,513,653 | 0.05 |
| Certificates of Deposit/Commercial Paper | | | | |
| – Appreciation | 7,987,038 | 0.04 | 6,241,231 | 0.04 |
| – Depreciation | 1,343,058 | 0.01 | 959,755 | 0.01 |
| Treasury Bills | | | | |
| – Appreciation | 465,505 | ~0.00 | 776,494 | 0.01 |
| – Depreciation | 756,356 | ~0.00 | – | – |

~ 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 2022-23 (excluding accretion of discount) are Rs. 59,697,345,148 and Rs. 66,950,328,525 respectively being 334.76% and 375.43% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 62,321,026,129 and Rs. 52,861,456,889 respectively being 401.93% and 340.92% of the average 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 |
|--------------------------|-----------------------|-----------------|-----------------------|-----------------|
| | 2023 | | 2022 | |
| Debt Instruments | 3,718,634,500 | 17.59% | 1,011,136,500 | 6.56% |
| Money market Instruments | 11,120,304,650 | 52.60% | 10,719,551,250 | 69.58% |
| Total | 14,838,939,150 | 70.19% | 11,730,687,750 | 76.14% |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023****2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended**

During the year 2022-23, 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 2021-22, 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 | Group Company | 2022-2023 | 58.54 | 0.61 | 1,411,197 | 17.31 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 353.87 | 4.42 | 4,488,820 | 69.75 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is 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, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022.

| Description | 2022-2023 | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 1,686,061.636 | 7,344,081.557 | 4,367,970.120 | 4,662,173.073 | 1,000 |
| Regular Plan - Daily IDCW Option | 31,873.947 | 31,040.566 | 21,971.370 | 40,943.143 | 1,000 |
| Regular Plan - Weekly IDCW Option | 10,267.328 | 23,568.870 | 16,408.380 | 17,427.818 | 1,000 |
| Regular Plan - Monthly IDCW Option | 48,838.646 | 78,978.877 | 44,177.532 | 83,639.991 | 1,000 |
| Direct Plan - Growth Option** | 13,321,400.720 | 60,631,470.634 | 59,783,639.272 | 14,169,232.082 | 1,000 |
| Direct Plan - Daily IDCW Option | 20.437 | 2,071.717 | 328.924 | 1,763.230 | 1,000 |
| Direct Plan - Weekly IDCW Option | 27.229 | 2,973.375 | 341.964 | 2,658.640 | 1,000 |
| Direct Plan - Monthly IDCW Option | 855.885 | 16,370.985 | 152.576 | 17,074.294 | 1,000 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| Description | 2021-2022 | | | | Face Value per unit (Rupees) |
|------------------------------------|---------------|----------------|----------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan - Growth Option | 2,207,222.365 | 6,128,475.630 | 6,649,636.359 | 1,686,061.636 | 1,000 |
| Regular Plan - Daily IDCW Option | 80,405.606 | 53,279.635 | 101,811.294 | 31,873.947 | 1,000 |
| Regular Plan - Weekly IDCW Option | 36,913.508 | 39,148.338 | 65,794.518 | 10,267.328 | 1,000 |
| Regular Plan - Monthly IDCW Option | 129,531.345 | 60,349.859 | 141,042.558 | 48,838.646 | 1,000 |
| Direct Plan - Growth Option** | 3,779,116.254 | 67,506,088.855 | 57,963,804.389 | 13,321,400.720 | 1,000 |
| Direct Plan - Daily IDCW Option | 20.437 | – | – | 20.437 | 1,000 |
| Direct Plan - Weekly IDCW Option | 26.223 | 1.006 | – | 27.229 | 1,000 |
| Direct Plan - Monthly IDCW Option | 866.052 | 10.797 | 20.964 | 855.885 | 1,000 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 15,556.017 and as on March 31, 2022 is 5000.000

- 5 Prior year amounts have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other Income of Rs. 158,374 represents Exit load credited to the scheme.(2022 :- Rs. Nil).

9 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEA.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--------------------------------------|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |

Notes to Accounts – Annexure I (Contd..)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 11 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 12 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|--------------------------------|---|---|--|
| HSBC Ultra Short Duration Fund | Low to Moderate | Low to Moderate | 0 |

- 13 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below

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

- 14 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 15 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 filed Miscellaneous Applications (MA) under section 254(2) of the Income Tax Act with ITAT against the favorable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The ITAT has vide its order dated March 25th 2022 dismissed the MA filed by department.

An appeal filed by Revenue in the High court against the aforesaid order of Feb 2017 is yet to be heard.

- 16 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 17 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Money Market Fund (Erstwhile L&T Money Market Fund)

An open-ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ("Fund") presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Money Market Fund (Erstwhile L&T Money Market Fund) (HMMF)

(An open-ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.)

The investment objective of the scheme is to generate regular income through investment in a portfolio comprising substantially of money market instruments. There is no assurance that the objective of the scheme will be realised and the scheme does not assure or guarantee any returns.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HMMF amounted to INR 892.01 crores as at March 31, 2023 as against INR 1012.48 crores as at March 31, 2022. Around 98.51% of the net assets were invested in Debt, 1.64% of the net assets were invested in reverse repos/TREPS and (-0.15%) in net current assets as at March 31, 2023.



HMMF aims to position into maturity buckets to extract maximum value along the money market yield curve. HMMF has low interest rate risk, given that maturity of instruments are below 1 year and aims to selectively invest in higher yielding-good quality credits, while also maintaining adequate portfolio liquidity. The current investment is in a mix of T-Bills, CDs and CPs with an aim to ride the steepness of money market curve and create a corpus through generating risk-adjusted returns.

HMMF performed marginally lower than its benchmark due to conservative investments and the focus being high quality assets that are rated AAA on long term basis.

| HSBC Money Market Fund | | Date of Inception : 10 August, 2005 | | | | | | | |
|---|---------------|-------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Money Market Fund | 10,483 | 4.83 | 11,290 | 4.13 | 13,075 | 5.50 | 33,695 | 7.13 | |
| Scheme Benchmark (Nifty Money Market Index B-I) | 10,567 | 5.67 | 11,434 | 4.57 | 13,123 | 5.57 | 35,363 | 7.42 | |
| Additional Benchmark (CRISIL 1 Year T Bill Index) | 10,449 | 4.49 | 11,347 | 4.30 | 13,099 | 5.53 | 27,997 | 6.01 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|------------------------|--|---|
| HSBC Money Market Fund |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index: Nifty Money Market Index B-I</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Potential Risk Class (PRC) Matrix for Scheme:

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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DII saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp

Trustees' Report

For the year ended March 31, 2023 (Contd...)

interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Money Market Fund | 65 | 44,986.40 | 30 | 101,241.85 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorskhaj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|------------------------|---|---|--|
| HSBC Money Market Fund | Low to Moderate | Low to Moderate | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Money Market Fund (Erstwhile known as L&T Money Market Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Money Market Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report (Contd...)

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd..)*

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXZ3930

Mumbai

July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|--|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 47,126.25 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (16,344.03) |
| 2.2 | Unrealised Appreciation Reserve | 54.65 |
| 2.3 | Other Reserves | 75,859.92 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 44.36 |
| | TOTAL | 102,996.03 |
| 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 | 21,677.02 |
| 1.6 | Commercial Paper/Certificate of Deposits | 79,111.51 |
| 1.8 | PTC | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | Total Investments | 100,788.53 |
| 2 | Deposits | 15.25 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 12.29 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 2,178.76 |
| 3.3 | Others | 1.20 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 102,996.03 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current year ended March 31, 2023 | Previous year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | - | - |
| 1.2 Interest | 4,739.19 | 4,463.60 |
| 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 | (464.82) | (560.19) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 0.14 | 4.17 |
| (A) | 4,274.51 | 3,907.58 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 144.09 | 198.45 |
| 2.2 GST/Service Tax on Management Fees | 25.94 | 35.72 |
| 2.3 Transfer Agents Fees and Expenses | 14.27 | 18.39 |
| 2.4 Custodian Fees | 1.17 | 2.03 |
| 2.5 Trusteeship Fees | 0.47 | 0.72 |
| 2.6 Commission to Agents | 76.90 | 110.89 |
| 2.7 Marketing & Distribution Expenses | 0.62 | 0.08 |
| 2.8 Audit Fees | 0.98 | 1.19 |
| 2.9 Investor Education Expenses | 16.56 | 20.66 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 7.19 | 6.63 |
| (B) | 288.19 | 394.76 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 3,986.32 | 3,512.82 |
| 4 Change in Unrealised Depreciation in Value of Investments (D) | - | - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 3,986.32 | 3,512.82 |
| 6 Change in Unrealised Appreciation in Value of Investments (F) | 15.40 | 36.05 |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 4,001.72 | 3,548.87 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | - | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | 15.40 | 36.05 |
| 7.3 Add/(Less) : Equalisation | (12,812.19) | (12,089.05) |
| 7.4 Transfer from Reserve Fund | 75,859.92 | 84,468.99 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 67,034.05 | 75,892.76 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (36.31) | (32.85) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 66,997.74 | 75,859.92 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current year ended March 31, 2023 | Previous year ended March 31, 2022 |
|---|--------------------------------------|---------------------------------------|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 21.4273 | 20.7718 |
| Regular Plan - Daily IDCW Option | 10.8591 | 10.8591 |
| Regular Plan - Weekly IDCW Option | 13.0975 | 13.0319 |
| Regular Plan - Monthly IDCW Option | 11.5112 | 11.5434 |
| Direct Plan - Growth Option | 22.2403 | 21.4587 |
| Direct Plan - Daily IDCW Option | 10.8591 | 10.8588 |
| Direct Plan - Weekly IDCW Option | 13.1771 | 13.1018 |
| Direct Plan - Monthly IDCW Option | 12.1089 | 12.0666 |
| High | | |
| Regular Plan - Growth Option | 22.4629 | 21.4273 |
| Regular Plan - Daily IDCW Option | 10.8591 | 10.8591 |
| Regular Plan - Weekly IDCW Option | 13.1188 | 13.1005 |
| Regular Plan - Monthly IDCW Option | 11.6124 | 11.5664 |
| Direct Plan - Growth Option | 23.4218 | 22.2403 |
| Direct Plan - Daily IDCW Option | 10.8591 | 10.8591 |
| Direct Plan - Weekly IDCW Option | 13.2065 | 13.1798 |
| Direct Plan - Monthly IDCW Option | 12.2720 | 12.1256 |
| Low | | |
| Regular Plan - Growth Option | 21.4144 | 20.7804 |
| Regular Plan - Daily IDCW Option | 10.8276 | 10.8553 |
| Regular Plan - Weekly IDCW Option | 13.0547 | 13.0319 |
| Regular Plan - Monthly IDCW Option | 11.4615 | 11.4866 |
| Direct Plan - Growth Option | 22.2375 | 21.4690 |
| Direct Plan - Daily IDCW Option | 10.8282 | 10.8555 |
| Direct Plan - Weekly IDCW Option | 13.1359 | 13.1018 |
| Direct Plan - Monthly IDCW Option | 12.0687 | 12.0371 |
| End | | |
| Regular Plan - Growth Option | 22.4629 | 21.4273 |
| Regular Plan - Daily IDCW Option | 10.8591 | 10.8591 |
| Regular Plan - Weekly IDCW | 13.1149 | 13.0975 |
| Regular Plan - Monthly IDCW Option | 11.5615 | 11.5112 |
| Direct Plan - Growth Option | 23.4218 | 22.2403 |
| Direct Plan - Daily IDCW Option | 10.8591 | 10.8591 |
| Direct Plan - Weekly IDCW Option | 13.2021 | 13.1771 |
| Direct Plan - Monthly IDCW Option | 12.2126 | 12.1089 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 89,201 | 102,952 |
| Average (AAuM) ¹ | 82,788 | 103,289 |
| 3. Gross income as % of AAuM ² | 5.16% | 3.78% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.70% | 0.72% |
| Direct Plan | 0.24% | 0.24% |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current year ended March 31, 2023 | Previous year ended March 31, 2022 |
|---|--------------------------------------|---------------------------------------|
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.21% | 0.26% |
| Direct Plan | 0.16% | 0.16% |
| 5. Net Income as a percentage of AAuM ³ | 4.82% | 3.40% |
| 6. Portfolio turnover ratio ⁴ | N.A. | N.A. |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Regular Plan - Daily IDCW | 0.5127 | 0.3374 |
| Regular Plan - Weekly IDCW Option | 0.6007 | 0.3403 |
| Regular Plan - Monthly IDCW Option | 0.4945 | 0.3900 |
| Direct Plan - Daily IDCW Option | 0.5621 | 0.3885 |
| Direct Plan - Weekly IDCW Option | 0.6571 | 0.3947 |
| Direct Plan - Monthly IDCW Option | 0.5269 | 0.3900 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 4.83% | 3.16% |
| Direct Plan - Growth Option | 5.31% | 3.64% |
| Benchmark | | |
| Nifty Money Market Index | 5.67% | 3.76% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 7.13% | 7.26% |
| Direct Plan - Growth Option | 7.44% | 7.67% |
| Benchmark | | |
| Nifty Money Market Index | 7.42% | 7.08% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 is NIL.
- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentage to net assets are as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|--------------|--------------------------|--------------|--------------------------|
| | 2023 | | 2022 | |
| Commercial Papers / Certificate of Deposits | | | | |
| - Appreciation | 6,708,726 | 0.08% | 4,499,592 | 0.04% |
| - Depreciation | 138,155 | 0.00%~ | 184,505 | 0.00%~ |
| Treasury Bills | | | | |
| - Appreciation | 477,530 | 0.01% | 1149588 | 0.01% |
| - Depreciation | 43,480 | 0.00%~ | - | - |

(~) - 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 2022-23 (excluding accretion of discount) are Rs. 25,822,196,505 and Rs. 26,578,002,991 being 311.91% and 321.04% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 45,665,706,051 and Rs. 45,624,969,861 being 442.12% and 441.72% of the average 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 |
|-------------------|----------------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Money Market | 5,350,692,300 | 59.98% | - | - |
| Total | 5,350,692,300 | 59.98% | - | - |

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

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | 64.07 | 3.75 | 291,860 | 3.96 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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

- None of the Investors held more than 25% of the total net assets of the schemes at the year ended March 31, 2023 and March 31, 2022.
- Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | Opening Units | Subscription | Redemption | Closing Units | Face value |
|------------------------------|-----------------|-----------------|-----------------|-----------------|------------|
| | | | | | |
| Regular Plan Growth Option | 96,149,395.347 | 83,748,703.655 | 106,003,712.190 | 73,894,386.812 | 10 |
| Regular Plan Daily IDCW | 7,839,971.987 | 10,238,319.900 | 16,381,311.518 | 1,696,980.369 | 10 |
| Regular Plan Weekly IDCW | 279,631.636 | 18,958.820 | 11,186.006 | 287,404.450 | 10 |
| Regular Plan - Monthly IDCW | 1,001,091.552 | 51,693.050 | 261,222.388 | 791,562.214 | 10 |
| Direct Plan Growth Option ** | 365,469,940.736 | 666,189,165.651 | 722,691,673.418 | 308,967,432.969 | 10 |
| Direct Plan Daily IDCW | 59,560.881 | 10,554.647 | 10,342.143 | 59,773.385 | 10 |
| Direct Plan Monthly IDCW | 275,581.269 | 4,143.754 | 134,536.755 | 145,188.268 | 10 |
| Direct Plan Weekly IDCW | 187,339.642 | 7,557.594 | 17,765.626 | 177,131.610 | 10 |
| 2021-22 | | | | | |
| Regular Plan - Growth Option | 158,020,667.238 | 162,395,357.843 | 224,266,629.734 | 96,149,395.347 | 10 |
| Regular Plan Daily IDCW | 5,173,481.418 | 8,853,896.778 | 6,187,406.209 | 7,839,971.987 | 10 |
| Regular Plan - Weekly IDCW | 609,215.327 | 48,847.639 | 378,431.330 | 279,631.636 | 10 |
| Regular Plan - Monthly IDCW | 2,326,698.179 | 213,612.806 | 1,539,219.433 | 1,001,091.552 | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| Description | Opening Units | Subscription | Redemption | Closing Units | Face value |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|------------|
| | 2021-22 | | | | |
| Direct Plan Growth Option** | 374,134,488.792 | 990,960,860.798 | 999,625,408.854 | 365,469,940.736 | 10 |
| Direct Plan Daily IDCW | 409,715.543 | 1,136,546.892 | 1,486,701.554 | 59,560.881 | 10 |
| Direct Plan Monthly IDCW | 531,997.485 | 129,917.361 | 386,333.577 | 275,581.269 | 10 |
| Direct Plan Weekly IDCW | 880,694.942 | 583,856.079 | 1,277,211.379 | 187,339.642 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 365,788.53 & as on March 31, 2022 is 365,788.53.

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognised nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are inclusive of GST where applicable.
- 8 Other income: Rs. 14,263/- represents Exit load credited to the scheme. (2022: Rs. 417,467/- represents Exit load credited to the scheme.)
- 9 **Investor Education Awareness**

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEA.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

- 11 Securities, excluding debt securities, where the non-traded investments which have been valued “in good faith” exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|------------------------|---|---|--|
| HSBC Money Market Fund | Low to Moderate | Low to Moderate | 0 |

- 14 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07, 2021. The details of Potential Risk Class matrix of schemes are given in below:

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

- 15 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC 2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Short Duration Fund (Erstwhile L&T Short Term Bond 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. A moderate interest rate risk and moderate credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "**MF Regulations**"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details..

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

a. Operations and Performance of the Scheme

➤ Debt 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. Moderate interest rate risk and moderate credit risk.)

The investment objective of the scheme is 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HSDF amounted to INR 3609.36 crores as at March 31, 2023 as against INR 253.14 crores as at March 31, 2022. Around 95.24% of the net assets were invested in Debt, 1.97% of the net assets were invested in reverse repos/TREPS and 2.79% in net current assets as at March 31, 2023.


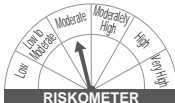
HSDF invests in a prudent portfolio with high credit quality debt fund with lower interest rate risk whilst seeking optimal returns. HSDF identifies value-buying opportunities and to reposition the portfolio basis evolving interest rate environment with an aim to generate regular returns through yield accrual while also capturing potential opportunities of capital appreciation. HSDF continues to maintain the highest credit quality, with 100% of the portfolio in AAA or equivalent securities. The endeavor is to restrict the residual maturity of any security (including Gsec) upto 5 years.

HSDF underperformed its benchmark over a 1-year time frame owing to relatively higher exposure to government securities (relative to corporate bonds) as compared to the benchmark. The relative performance was also impacted marginally owing to no exposure to non-AAA assets unlike benchmark which has exposure to bonds and to CPs that are rated non-AAA on the long term rating scale.

| HSBC Short Duration Fund | | | | Date of Inception : 27 December, 2011 | | | | |
|---|---------------|----------------|---------------|---------------------------------------|---------------|----------------|-----------------|----------------|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Short Duration Fund | 10,345 | 3.45 | 11,461 | 4.65 | 12,923 | 5.25 | 21,128 | 6.87 |
| Scheme Benchmark (NIFTY Short Duration Debt Index B-II) | 10,476 | 4.76 | 11,927 | 6.05 | 13,871 | 6.75 | 23,519 | 7.89 |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 20,464 | 6.56 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--------------------------|--|---|
| HSBC Short Duration Fund |  <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: Nifty Short Duration Debt Index B-II</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class (PRC) Matrix for Scheme:

| HSBC Short Duration Fund | | | |
|---|--------------------------|--------------------|---------------------------|
| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | | | |
| Moderate (Class II) | | BII | |
| Relatively High (Class III) | | | |
| A Scheme with Relatively Moderate interest rate risk and Moderate credit risk | | | |

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD 30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|--------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Short Duration Fund | 302 | 268,726.70 | 16 | 2,059,983.33 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|-----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Com-plaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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, 2023 (Contd...)

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/MD/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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

In terms of the requirement of SEBI Circular no. CIR/MD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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, 2023 (Contd...)

11. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Short Duration Fund | Low to Moderate | Moderate | 1 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR: NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Short Duration Fund (Erstwhile known as L&T Short Term Bond Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Short Duration Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth

Independent Auditors' Report *(Contd...)*

Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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

Independent Auditors' Report *(Contd...)*

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYB7244

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 182,304.57 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 6,761.74 |
| 2.2 | Unrealised Appreciation Reserve | 129.72 |
| 2.3 | Other Reserves | 217,184.50 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 217.47 |
| | TOTAL | 406,598.00 |
| 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 | 162,582.94 |
| 1.1.5 | Securitised Debt Securities | 8,684.14 |
| 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 | 194,805.34 |
| 1.5 | Treasury Bills | - |
| 1.6 | Commercial Paper/Certificate of Deposits | 829.28 |
| 1.8 | PTC | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | Total Investments | 366,901.70 |
| 2 | Deposits | 106.60 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 64.82 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 31,555.46 |
| 3.3 | Others | 7,969.42 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 406,598.00 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | - | - |
| 1.2 Interest | 23,451.42 | 27,632.44 |
| 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 | (5,635.25) | (1,269.65) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 2.19 | 0.73 |
| (A) | 17,818.36 | 26,363.52 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 691.98 | 878.30 |
| 2.2 GST on Management Fees | 124.56 | 158.09 |
| 2.3 Transfer Agents Fees and Expenses | 113.10 | 135.98 |
| 2.4 Custodian Fees | 3.73 | 6.40 |
| 2.5 Trusteeship Fees | 2.11 | 3.31 |
| 2.6 Commission to Agents | 373.62 | 533.49 |
| 2.7 Marketing & Distribution Expenses | 0.83 | 0.85 |
| 2.8 Audit Fees | 4.38 | 5.35 |
| 2.9 Investor Education Expenses | 74.05 | 92.75 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 13.22 | 10.41 |
| (B) | 1,401.58 | 1,824.93 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 16,416.78 | 24,538.59 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) (2,976.29) | (88.82) |
| 5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 13,440.49 | 24,449.77 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) (129.72) | (4,397.85) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 13,310.77 | 20,051.92 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 129.72 | 4,397.85 |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 Add/(Less) : Equalisation | (30,678.51) | (85,315.98) |
| 7.4 Transfer from Reserve Fund | 217,184.50 | 278,133.89 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 199,946.48 | 217,267.68 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (105.46) | (83.18) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 199,841.02 | 217,184.50 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--------------------------------------|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 21.6605 | 20.8400 |
| Regular Plan - Monthly IDCW Option | 11.2372 | 11.3394 |
| Regular Plan - Quarterly IDCW Option | 10.8072 | 10.9441 |
| Regular Plan - Annual IDCW Option | 12.2054 | 12.3697 |
| Regular Plan - Bonus Option | 21.6605 | 20.8399 |
| Direct Plan - Growth Option | 22.6108 | 21.6502 |
| Direct Plan - Monthly IDCW Option | 11.8623 | 11.8850 |
| Direct Plan - Quarterly IDCW Option | 11.5156 | 11.5903 |
| Direct Plan - Annual IDCW Option | 12.6165 | 12.7523 |
| High | | |
| Regular Plan - Growth Option | 22.4077 | 21.6605 |
| Regular Plan - Monthly IDCW Option | 11.2415 | 11.4236 |
| Regular Plan - Quarterly IDCW Option | 10.8114 | 11.1051 |
| Regular Plan - Annual IDCW Option | 12.6077 | 12.8299 |
| Regular Plan - Bonus Option | 22.4077 | 21.6605 |
| Direct Plan - Growth Option | 23.5034 | 22.6108 |
| Direct Plan - Monthly IDCW Option | 11.8680 | 11.9843 |
| Direct Plan - Quarterly IDCW Option | 11.5211 | 11.7724 |
| Direct Plan - Annual IDCW Option | 13.0944 | 13.2879 |
| Low | | |
| Regular Plan - Growth Option | 21.3887 | 20.8719 |
| Regular Plan - Monthly IDCW Option | 11.0215 | 11.2150 |
| Regular Plan - Quarterly IDCW Option | 10.5574 | 10.7847 |
| Regular Plan - Annual IDCW Option | 11.7523 | 12.1799 |
| Regular Plan - Bonus Option | 21.3887 | 20.8717 |
| Direct Plan - Growth Option | 22.3386 | 21.6856 |
| Direct Plan - Monthly IDCW Option | 11.6495 | 11.8260 |
| Direct Plan - Quarterly IDCW Option | 11.2857 | 11.4894 |
| Direct Plan - Annual IDCW Option | 12.1889 | 12.5879 |
| End | | |
| Regular Plan - Growth Option | 22.4077 | 21.6605 |
| Regular Plan - Monthly IDCW Option | 11.0632 | 11.2372 |
| Regular Plan - Quarterly IDCW Option | 10.5777 | 10.8072 |
| Regular Plan - Annual IDCW Option | 11.7749 | 12.2054 |
| Regular Plan - Bonus Option | 22.4077 | 21.6605 |
| Direct Plan - Growth Option | 23.5034 | 22.6108 |
| Direct Plan - Monthly IDCW Option | 11.7337 | 11.8623 |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| Direct Plan - Quarterly IDCW Option | 11.3257 | 11.5156 |
| Direct Plan - Annual IDCW Option | 12.2128 | 12.6165 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 360,936 | 406,381 |
| Average (AAuM) ¹ | 370,265 | 463,724 |
| 3. Gross income as % of AAuM ² | 4.81% | 5.69% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.75% | 0.75% |
| Direct Plan | 0.27% | 0.27% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.21% | 0.21% |
| Direct Plan | 0.18% | 0.18% |
| 5. Net Income as a percentage of AAuM ³ | 4.43% | 5.29% |
| 6. Portfolio turnover ratio ⁴ | N.A. | N.A. |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Regular Plan - Monthly IDCW Option | 0.5486 | 0.5400 |
| Regular Plan - Quarterly IDCW Option | 0.5900 | 0.5600 |
| Regular Plan - Annual IDCW Option | 0.8500 | 0.6500 |
| Direct Plan - Monthly IDCW Option | 0.5823 | 0.5400 |
| Direct Plan - Quarterly IDCW Option | 0.6300 | 0.5800 |
| Direct Plan - Annual IDCW Option | 0.9000 | 0.7000 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 3.45% | 3.94% |
| Direct Plan - Growth Option | 3.95% | 4.44% |
| Benchmark | | |
| NIFTY Short Duration Debt Index B-II | 4.76% | 4.92% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 6.87% | 7.82% |
| Direct Plan - Growth Option | 7.66% | 8.09% |
| Benchmark | | |
| NIFTY Short Duration Debt Index B-II | 7.89% | 8.22% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 is NIL.
- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentage to net assets are as under :

| Security Category | As at March 31, 2023 | | As at March 31, 2022 | |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
| Bonds and Debentures | | | | |
| – Appreciation | 12,576,794 | 0.03% | 33,469,544 | 0.08% |
| – Depreciation | 182,882,348 | 0.51% | 64,412,226 | 0.16% |
| Central and State Government Securities | | | | |
| – Appreciation | 1,638,050 | 0.00%~ | – | – |
| – Depreciation | 401,019,833 | 1.11% | 244,786,197 | 0.60% |
| Commercial Papers / Certificate of Deposits | | | | |
| – Appreciation | 1,411,410 | 0.00%~ | 12,441 | 0.00%~ |
| – Depreciation | 2,901,905 | 0.01% | – | – |
| Securitized Debt Securities | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | 2,180,486 | 0.01% | – | – |
| Asset Backed Securities | | | | |
| – Appreciation | – | – | 12,959,073 | 0.03% |
| – Depreciation | – | – | – | – |

(~) - 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 2022-23 (excluding accretion of discount) are Rs. 33,817,768,359 and Rs. 35,818,402,505 being 91.33% and 96.74% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 42,096,000,669 and Rs. 51,694,884,746 being 90.78% and 111.48% of the average net assets.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

- 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 |
|-------------------|-----------------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Money Market | 4,449,065,000 | 12.33% | – | – |
| Debt | 10,578,649,700 | 29.31% | – | – |
| Total | 15,027,716,723 | 41.64% | – | – |

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

During the year 2022-23, 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 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|---|--|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 58.95 | 7.54 | 1,149,415 | 3.28 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL. (Previous year also NIL).

- 3 None of the Investors held more than 25% of the total net assets of the schemes at the year ended March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | |
|-----------------------------|-----------------|----------------|-----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 449,776,972.107 | 84,629,565.908 | 236,179,349.136 | 298,227,188.879 | 10 |
| Regular Plan Monthly IDCW | 1,293,978.030 | 10,496,489.412 | 520,145.109 | 11,270,322.333 | 10 |
| Regular Plan Quarterly IDCW | 9,483,070.370 | 41,209.897 | 305,592.166 | 9,218,688.101 | 10 |
| Regular Plan Bonus Option | 3,500.000 | – | 500.000 | 3,000.000 | 10 |
| Annual IDCW | 1,527,879.377 | 123,860.768 | 29,791.740 | 1,621,948.405 | 10 |

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| Description | 2022-2023 | | | | |
|-----------------------------|-------------------|-----------------|-----------------|-------------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Direct Plan Growth Option** | 1,359,797,905.812 | 242,110,758.155 | 359,984,334.732 | 1,241,924,329.235 | 10 |
| Direct Plan Monthly IDCW | 1,021,817.484 | 458,392.023 | 443,381.684 | 1,036,827.823 | 10 |
| Direct Plan Quarterly IDCW | 91,218.812 | 9,689.601 | 19,481.373 | 81,427.040 | 10 |
| Direct Plan Annual IDCW | 49,401.188 | 2,089.310 | 19,558.459 | 31,932.039 | 10 |

| Description | 2021-2022 | | | | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan Growth Option | 603,518,040.706 | 447,965,067.110 | 601,706,135.709 | 449,776,972.107 | 10 |
| Regular Plan Monthly IDCW | 3,174,519.482 | 178,658.336 | 2,059,199.788 | 1,293,978.030 | 10 |
| Regular Plan Quarterly IDCW | 9,762,845.503 | 62,519.839 | 342,294.972 | 9,483,070.370 | 10 |
| Regular Plan Bonus Option | 3,500.000 | - | - | 3,500.000 | 10 |
| Annual IDCW | 1,504,921.451 | 78,469.182 | 55,511.256 | 1,527,879.377 | 10 |
| Direct Plan Growth Option** | 1,951,333,097.237 | 1,072,530,804.101 | 1,664,065,995.526 | 1,359,797,905.812 | 10 |
| Direct Plan Monthly IDCW | 1,136,703.356 | 105,332.254 | 220,218.126 | 1,021,817.484 | 10 |
| Direct Plan Quarterly IDCW | 242,937.691 | 43,987.784 | 195,706.663 | 91,218.812 | 10 |
| Direct Plan Annual IDCW | 47,718.590 | 15,343.263 | 13,660.665 | 49,401.188 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 17,908,677.364 & as on March 31, 2022 is 367,947.369.

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income: Rs. 219,077/- represents Exit load credited to the scheme. (2022: Rs. 73,163/-represents Exit load credited to the scheme)
- 9 **Investor Education Awareness**

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAL.

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Short Duration Fund | Moderate | Low to Moderate | 1 |

- Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below:

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

- HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Low Duration Fund (Erstwhile L&T 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. A relatively low interest rate risk and moderate credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.


Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details..

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Low Duration Fund (Erstwhile L&T 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. A relatively low interest rate risk and moderate credit risk.)

The investment objective of the scheme is to provide liquidity and reasonable returns by investing primarily in a mix of short term debt and money market instruments such that the Macaulay duration of the portfolio

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 INR 444.95 crores as at March 31, 2023 as against INR 842.98 crores as at March 31, 2022. Around 97.97% of the net assets were invested in Debt, 2.65% of the net assets were invested in reverse repos/TREPS and (-0.62%) in net current assets as at March 31, 2023.

HLDf is positioned to provide a higher carry over the traditional money market category funds while maintaining adequate liquidity. HLDf focusses on generating returns through a yield-oriented and accrual based strategy along-with a rigorous credit selection process to spot mispriced credit opportunities. Given the portfolio quality and liquidity, the fund is well positioned in the current market environment. HLDf has been positioned with a diversified mix of assets i.e. 85:15 rating mix strategy between AAA and non-AAA names and adequate liquidity.



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.

HLDf underperformed the benchmark in the past one year owing to lower exposure to non-AAA assets while compared to benchmark. Also the scheme was underweight duration for major part of the year which added marginally to the underperformance.

| HSBC Low Duration Fund | | | | Date of Inception : 4 December, 2010 | | | | |
|--|---------------|----------------|---------------|--------------------------------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Low Duration Fund | 10,464 | 4.64 | 11,457 | 4.64 | 12,760 | 4.98 | 23,466 | 7.16 |
| Scheme Benchmark (NIFTY Low Duration Debt Index B-I) | 10,548 | 5.48 | 11,711 | 5.40 | 13,579 | 6.30 | 25,039 | 7.73 |
| Additional Benchmark (CRISIL 1 Year T Bill Index) | 10,449 | 4.49 | 11,347 | 4.30 | 13,099 | 5.53 | 21,697 | 6.48 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|------------------------|--|---|
| HSBC Low Duration Fund |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index: NIFTY Low Duration Debt Index B-I</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class (PRC) Matrix for Scheme:

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

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year ^A |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Low Duration Fund | 50 | 701,309.72 | 27 | 200,290.15 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|-----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-------------------|--------------|--------------|--------------|---------------|----------|
| Com-plaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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, 2023 (Contd...)

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorskhaj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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, 2023 (Contd...)

11. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|------------------------|---|---|--|
| HSBC Low Duration Fund | Low to Moderate | Low to Moderate | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR: NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Low Duration Fund (Erstwhile known as L&T Low Duration Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Low Duration Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report *(Contd...)*

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXS5479

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 36,220.66 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 1,080.37 |
| 2.2 | Unrealised Appreciation Reserve | 1.53 |
| 2.3 | Other Reserves | 47,008.99 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 146.88 |
| | TOTAL | 84,458.43 |
| 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 | 47,249.17 |
| 1.1.5 | Securitised Debt Securities | 3,162.00 |
| 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 | 23,415.56 |
| 1.5 | Treasury Bills | - |
| 1.6 | Commercial Paper/Certificate of Deposits | 7,276.83 |
| 1.8 | PTC | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | Total Investments | 81,103.56 |
| 2 | Deposits | 4.82 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 44.70 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 1,435.24 |
| 3.3 | Others | 1,870.11 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 84,458.43 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | - | - |
| 1.2 Interest | 4,622.69 | 6,369.64 |
| 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 | (1,405.58) | (1,564.37) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 2.34 | 2.37 |
| | 3,219.45 | 4,807.64 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 150.03 | 238.48 |
| 2.2 GST on Management Fees | 27.01 | 42.93 |
| 2.3 Transfer Agents Fees and Expenses | 23.49 | 33.67 |
| 2.4 Custodian Fees | 1.13 | 2.01 |
| 2.5 Trusteeship Fees | 0.45 | 0.75 |
| 2.6 Commission to Agents | 159.85 | 186.99 |
| 2.7 Marketing & Distribution Expenses | 0.46 | 0.21 |
| 2.8 Audit Fees | 0.84 | 1.18 |
| 2.9 Investor Education Expenses | 14.25 | 20.50 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 5.69 | 6.19 |
| | (B) 383.20 | 532.91 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B) | 2,836.25 | 4,274.73 |
| 4 Change in Unrealised Depreciation in Value of Investments (Refer Note 11) | (D) 391.74 | (300.09) |
| 5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D) | 3,227.99 | 3,974.64 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) 19.39 | (41.06) |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F) | 3,247.38 | 3,933.58 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | - | 41.06 |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | 19.39 | - |
| 7.3 Add/(Less) : Equalisation | (24,985.40) | (10,970.83) |
| 7.4 Transfer from Reserve Fund | 47,008.99 | 54,037.25 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 25,251.58 | 47,041.06 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (45.11) | (32.09) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 25,206.46 | 47,008.99 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 22.9730 | 22.1773 |
| Regular Plan - Monthly IDCW Option | 10.4266 | 10.5354 |
| Regular Plan - Annual IDCW Option | 10.4040 | 10.5272 |
| Direct Plan - Growth Option | 23.8610 | 22.8861 |
| Direct Plan - Monthly IDCW Option | 11.0756 | 11.0923 |
| Direct Plan - Annual IDCW Option | 10.7102 | 10.7725 |
| High | | |
| Regular Plan - Growth Option | 24.0482 | 22.9730 |
| Regular Plan - Monthly IDCW Option | 10.4442 | 10.5684 |
| Regular Plan - Annual IDCW Option | 10.8706 | 10.8820 |
| Direct Plan - Growth Option | 25.1252 | 23.8610 |
| Direct Plan - Monthly IDCW Option | 11.1250 | 11.1454 |
| Direct Plan - Annual IDCW Option | 11.2561 | 11.2053 |
| Low | | |
| Regular Plan - Growth Option | 22.9335 | 22.1913 |
| Regular Plan - Monthly IDCW Option | 10.3310 | 10.4160 |
| Regular Plan - Annual IDCW Option | 10.1709 | 10.3820 |
| Direct Plan - Growth Option | 23.8381 | 22.9026 |
| Direct Plan - Monthly IDCW Option | 11.0065 | 11.0634 |
| Direct Plan - Annual IDCW Option | 10.5065 | 10.6853 |
| End | | |
| Regular Plan - Growth Option | 24.0482 | 22.9730 |
| Regular Plan - Monthly IDCW Option | 10.3593 | 10.4266 |
| Regular Plan - Annual IDCW Option | 10.1897 | 10.4040 |
| Direct Plan - Growth Option | 25.1252 | 23.8610 |
| Direct Plan - Monthly IDCW Option | 11.0711 | 11.0756 |
| Direct Plan - Annual IDCW Option | 10.5262 | 10.7102 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 44,495 | 84,312 |
| Average (AAuM) ¹ | 71,269 | 102,482 |
| 3. Gross income as % of AAuM ² | | |
| | 4.52% | 4.69% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) | | |
| Regular Plan | 0.84% | 0.93% |
| Direct Plan | 0.26% | 0.28% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 0.26% | 0.31% |
| Direct Plan | 0.17% | 0.19% |

Key Statistics for the year ended March 31, 2023 *(Contd...)*

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 5. Net Income as a percentage of AAuM ³ | 3.98% | 4.17% |
| 6. Portfolio turnover ratio ⁴ | N.A. | N.A. |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Regular Plan - Monthly IDCW Option | 0.5416 | 0.4800 |
| Regular Plan - Annual IDCW Option | 0.7000 | 0.5000 |
| Direct Plan - Monthly IDCW Option | 0.5758 | 0.4800 |
| Direct Plan - Annual IDCW Option | 0.7500 | 0.5200 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 4.64% | 3.59% |
| Direct Plan - Growth Option | 5.23% | 4.26% |
| Benchmark | | |
| NIFTY Low Duration Debt Index B-I | 5.48% | 4.14% |
| b. Since Inception | | |
| Scheme | | |
| Growth Option | 7.16% | 7.62% |
| Direct Plan - Growth Option | 7.38% | 7.75% |
| Benchmark | | |
| NIFTY Low Duration Debt Index B-I | 7.73% | 7.80% |

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, 2023

1 Investments:

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 was NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022:

(Rupees)

| Issuer | Instrument Type | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) |
|---------------------|-------------------------------|--------------|--|--------------|--|
| | | 2022-23 | | 2021-22 | |
| Nabha Power Limited | Fixed rates bonds - Corporate | NIL | | 250,318,750 | 250,318,750 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2023 and March 31, 2022.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are as follows.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year March 31, 2023 and March 31, 2022 are as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|--------------|--------------------------|--------------|--------------------------|
| | 31-Mar-23 | | 31-Mar-22 | |
| Bonds and Debentures | | | | |
| – Appreciation | 2,386,848 | 0.05% | 26,447,915 | 0.31% |
| – Depreciation | 11,918,135 | 0.27% | 52,933,369 | 0.63% |
| Commercial Papers / Certificate of Deposits | | | | |
| – Appreciation | 2,198,996 | 0.05% | 216,760 | ~0.00% |
| – Depreciation | 107,133 | ~0.00% | 64,123 | ~0.00% |
| Asset Backed Securities | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | 281,648 | ~0.00% |
| Central and State Government Securities | | | | |
| – Appreciation | 36,113 | ~0.00% | – | – |
| – Depreciation | 315,200 | 0.01% | 22,376,615 | 0.27% |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|-----------------------------|--------------|--------------------------|--------------|--------------------------|
| | 31-Mar-23 | | 31-Mar-22 | |
| Treasury Bills | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | 158,973 | ~0.00% | – | – |

(-) - 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 2022-23 (excluding accretion of discount) are Rs. 20,865,488,526 and Rs. 25,971,929,705 being 292.77% and 364.42% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 20,835,797,004 and Rs. 21,341,753,214 being 203.31% and 208.25% of the average net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Debt & Money Market Instruments and percentage to net assets during the financial year March 31, 2023 and March 31, 2022 are as follows:

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|-------------------|----------------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Debt | 1,287,461,850 | 28.93% | – | – |
| Money Market | 1,275,000,000 | 28.65% | – | – |
| Total | 2,562,461,850 | 57.59% | – | – |

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

During the year 2022-23, 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 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|---|--|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 441.37 | 40.90 | 3,210,378 | 17.95 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL.
(Previous year also NIL).

- 3 None of the Investors held more than 25% of the total net assets of the schemes at the year ended March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 147,078,947.125 | 160,427,117.471 | 153,728,735.221 | 153,777,329.375 | 10 |
| Regular Plan - Monthly IDCW Option | 5,626,129.297 | 7,939,864.827 | 3,896,903.462 | 9,669,090.662 | 10 |
| Regular Plan - Annual IDCW Option | 89,365.096 | 405,754.280 | 379,158.894 | 115,960.482 | 10 |
| Direct Plan - Growth Option** | 209,096,811.168 | 199,981,892.302 | 383,766,184.342 | 25,312,519.128 | 10 |
| Direct Plan - Monthly IDCW Option | 233,590.981 | 475,728.521 | 4,578.969 | 704,740.533 | 10 |
| Direct Plan - Annual IDCW Option | 81,726.970 | 260.421 | 43,824.204 | 38,163.187 | 10 |

| Description | 2021-2022 | | | | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 175,197,307.986 | 148,419,178.802 | 176,537,539.663 | 147,078,947.125 | 10 |
| Regular Plan - Monthly IDCW Option | 7,350,032.399 | 847,860.040 | 2,571,763.142 | 5,626,129.297 | 10 |
| Regular Plan - Annual IDCW Option | 141,636.560 | 43,580.617 | 95,852.081 | 89,365.096 | 10 |
| Direct Plan - Growth Option** | 264,277,729.475 | 497,255,107.187 | 552,436,025.494 | 209,096,811.168 | 10 |
| Direct Plan - Monthly IDCW Option | 568,384.566 | 76,374.427 | 411,168.012 | 233,590.981 | 10 |
| Direct Plan - Annual IDCW Option | 407,548.024 | 1,289.737 | 327,110.791 | 81,726.970 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 5,568,298.399 & as on March 31, 2022 is 340,894.37.

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for Regular Plan and Savings Plans for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income: Rs. 233,600/- represents Exit load credited to the scheme.(2022: Rs. 236,766/-represents Exit load credited to the scheme.)

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

9 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAL.

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.

11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.

12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|------------------------|---|---|--|
| HSBC Low Duration Fund | Low to Moderate | Low to Moderate | 0 |

14 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below

| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
|-----------------------------|--------------------------|--------------------|---------------------------|
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | | BI | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | | | |

A Scheme with Relatively Low interest rate risk and Moderate credit risk.

Notes to Accounts – Annexure I (Contd..)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

- 15 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC 2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Medium to Long Duration Fund (Erstwhile 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. Relatively high interest rate risk and moderate credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway,
Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway,
Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex,
Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony,
Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.


Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Medium to Long Duration Fund (Erstwhile HSBC Debt Fund) (HMLDF)

(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. Relatively High interest rate risk and Moderate credit risk.)

The investment objective of the scheme is to provide a 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HMLDF amounted to INR 41.51 crores as at March 31, 2023 as against INR 41.99 crores as at March 31, 2022. Around 94.61% of the net assets were invested in Debt, 5.82% of the net assets were invested in reverse repos/TREPS and (-0.43%) in net current assets as at March 31, 2023.



In the current scenario where interest rates are nearing the peak in this cycle, the fund manager believes there are opportunities to capture alpha through strategic overweight duration in this fund. HMLDF is an actively managed fund investing across the yield curve in government securities and high quality AAA rated credits to generate alpha. The portfolio Macaulay duration of the portfolio is above 4 years. HMLDF is managed through dynamic duration and a highly liquid portfolio to seize potential upsides when interest rates are expected to soften while also reducing risks in an uncertain environment. The portfolio is predominantly invested in G-secs as corporate bonds spreads in > 5 year bonds over G-secs are very low.

HMLDF underperformed its benchmark over a 1-year time frame due to its positioning against the benchmark and higher exposure in government securities as compared to the benchmark.

| HSBC Medium to Long Duration Fund | | | | Date of Inception : 10 December, 2002 | | | | |
|---|---------------|----------------|---------------|---------------------------------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Medium to Long Duration Fund | 10,206 | 2.06 | 11,005 | 3.24 | 13,035 | 5.43 | 36,108 | 6.52 |
| Scheme Benchmark (NIFTY Medium to Long Duration Debt Index B-III) | 10,538 | 5.38 | 12,565 | 7.91 | 14,162 | 7.19 | 42,608 | 7.39 |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 31,874 | 5.87 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-----------------------------------|--|---|
| HSBC Medium to Long Duration Fund |  <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: NIFTY Medium to Long Duration Debt Index B-III</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class (PRC) Matrix for Scheme:

| HSBC Medium to Long Duration Fund | | | |
|--|--------------------------|--------------------|---------------------------|
| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | | | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | | BIII | |
| A Scheme with Relatively High interest rate risk and Moderate credit risk. | | | |

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD 30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|-----------------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Medium to Long Duration Fund | 2,164 | 1,012,810.32 | 29 | 1,746,720.08 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|-----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-------------------|--------------|--------------|--------------|---------------|----------|
| Com-plaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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, 2023 (Contd...)

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisors/hoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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, 2023 (Contd...)

11. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------------|---|---|--|
| HSBC Medium Duration Fund | Moderate | Moderate | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR: NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name /Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Medium to Long Duration Fund (Erstwhile known as HSBC Debt Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Medium to Long Duration Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of

Independent Auditors' Report *(Contd...)*

adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:

Independent Auditors' Report *(Contd...)*

- a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYK2240

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|---|-------------------------|-------------------------|
| LIABILITIES | | |
| 1 Unit Capital | 1,263.93 | 1,294.34 |
| 2 Reserves & Surplus | | |
| 2.1 Unit Premium Reserves | (610.91) | (590.21) |
| 2.2 Unrealised Appreciation Reserve | - | - |
| 2.3 Other Reserves | 3,500.98 | 3,481.91 |
| 3 Loans & Borrowings | - | - |
| 4 Current Liabilities & Provisions | | |
| 4.1 Provision for Doubtful Income/Deposits | - | - |
| 4.2 Other Current Liabilities & Provisions | 52.56 | 43.71 |
| TOTAL | 4,206.56 | 4,229.75 |
| 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 | 3,851.28 | 3,922.27 |
| 1.5 Treasury Bills | - | - |
| 1.6 Commercial Paper/Certificate of Deposits | - | - |
| 1.8 PTC | - | - |
| 1.9 Units of Domestic Mutual Fund | - | - |
| 1.10 Foreign Securities | - | - |
| Total Investments | 3,851.28 | 3,922.27 |
| 2 Deposits | 0.06 | 3.55 |
| 3 Other Current Assets | | |
| 3.1 Cash & Bank Balance | 10.15 | 0.31 |
| 3.2 CBLO/TREPS/Reverse Repo Lending | 241.57 | 200.64 |
| 3.3 Others | 103.50 | 102.98 |
| 4 Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | 4,206.56 | 4,229.75 |

Notes to Accounts - Annexure I

Abridged Revenue Account For the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | – | – |
| 1.2 Interest | 278.37 | 249.22 |
| 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 | (107.65) | (35.24) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | – | – |
| 1.7 Other Income | 0.03 | – |
| (A) | 170.75 | 213.98 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 43.39 | 43.58 |
| 2.2 GST/Service Tax on Management Fees | 7.81 | 7.84 |
| 2.3 Transfer Agents Fees and Expenses | 1.44 | 1.31 |
| 2.4 Custodian Fees | 0.01 | – |
| 2.5 Trusteeship Fees | 0.10 | 0.10 |
| 2.6 Commission to Agents | 13.04 | 9.59 |
| 2.7 Marketing & Distribution Expenses | 0.14 | 0.08 |
| 2.8 Audit Fees | 0.05 | 0.20 |
| 2.9 Investor Education Expenses | 0.81 | 0.78 |
| 2.10 Interest on Borrowing | – | – |
| 2.11 Other Operating Expenses | 0.41 | 0.58 |
| (B) | 67.20 | 64.06 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 103.55 | 149.92 |
| 4 Change in Unrealised Depreciation in Value of Investments (D) | (5.81) | (19.65) |
| 5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 97.74 | 130.27 |
| 6 Change in Unrealised Appreciation in Value of Investments (F) | – | – |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 97.74 | 130.27 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | – | – |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | – | – |
| 7.3 Add/(Less) : Equalisation | (70.98) | 412.51 |
| 7.4 Transfer from Reserve Fund | 3,481.91 | 2,953.38 |
| 7.5 Transfer from Unit Premium Reserve | – | – |
| 8 Total | 3,508.67 | 3,496.16 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (7.69) | (14.25) |
| 9.2 Tax on Income Distributed during the Year | – | – |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 3,500.98 | 3,481.91 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 35.3778 | 34.2479 |
| Regular Plan - Quarterly IDCW Option | 10.7608 | 11.0797 |
| Direct Plan - Growth Option | 38.0692 | 36.5469 |
| Direct Plan - Quarterly IDCW Option | 10.8840 | 11.1520 |
| High | | |
| Regular Plan - Growth Option | 36.1077 | 35.5362 |
| Regular Plan - Quarterly IDCW Option | 10.7537 | 11.2864 |
| Direct Plan - Growth Option | 39.2185 | 38.1467 |
| Direct Plan - Quarterly IDCW Option | 10.8636 | 11.3945 |
| Low | | |
| Regular Plan - Growth Option | 34.3226 | 34.3312 |
| Regular Plan - Quarterly IDCW Option | 10.4398 | 10.7364 |
| Direct Plan - Growth Option | 36.9670 | 36.6493 |
| Direct Plan - Quarterly IDCW Option | 10.4740 | 10.8587 |
| End | | |
| Regular Plan - Growth Option | 36.1077 | 35.3778 |
| Regular Plan - Quarterly IDCW Option | 10.6064 | 10.7608 |
| Direct Plan - Growth Option | 39.2185 | 38.0692 |
| Direct Plan - Quarterly IDCW Option | 10.5418 | 10.8840 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 4,151 | 4,199 |
| Average (AAuM) ¹ | 4,057 | 3,879 |
| 3. Gross income as % of AAuM ² | 4.21% | 5.52% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (plan wise) | | |
| Regular Plan - Growth Option | 2.02% | 2.07% |
| Direct Plan - Growth Option | 1.10% | 1.23% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan - Growth Option | 1.20% | 1.27% |
| Direct Plan - Growth Option | 0.87% | 0.98% |
| 5. Net Income as a percentage of AAuM ³ | 2.55% | 3.86% |
| 6. Portfolio turnover ratio ⁴ | NA | NA |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 7. Total Dividend per unit distributed during the year (plan wise) | | |
| Retail | | |
| Regular Plan - Quarterly IDCW Option | 0.3700 | 0.6800 |
| Direct Plan - Quarterly IDCW Option | 0.6500 | 0.7200 |
| Corporate | | |
| Regular Plan - Quarterly IDCW Option | 0.3700 | 0.6800 |
| Direct Plan - Quarterly IDCW Option | 0.6500 | 0.7200 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 2.06% | 3.29% |
| Direct Plan - Growth Option | 3.02% | 4.17% |
| Benchmark | | |
| NIFTY Medium to Long Duration Debt Index B-III | 5.38% | 4.47% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 6.52% | 6.76% |
| Direct Plan - Growth Option | 6.78% | 7.20% |
| Benchmark | | |
| NIFTY Medium to Long Duration Debt Index B-III | 7.40% | 6.97% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentages to net assets are as under :

| Security Category | 2023 | | 2022 | |
|------------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
| Government Securities | | | | |
| – Appreciation | 238,355 | 0.06 | – | – |
| – Depreciation | 7,619,738 | 1.84 | 6,800,632 | 1.62 |

- 1.7. The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) are Rs. 384,188,697 and Rs. 379,671,266 respectively being 94.70% and 93.59% of the average net assets.

The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 574,294,733 and Rs. 507,759,759 respectively being 148.05% and 130.90% of the average net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets as on March 31, 2023 & March 31, 2022 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 2022-23, 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 2021-22, 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.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

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 | Group Company | 2022-2023 | 0.03 | 0.51 | 372,419 | 35.27 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 0.05 | 0.50 | 527,844 | 55.57 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL.
(Previous year also NIL).

- 3 Details of investors holding units in the scheme over 25% of the NAV is given below:-

| Name of Scheme | 2023 | | 2022 | |
|-----------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|
| | Number of Investor | % Investment as on 31-03-2023 | Number of Investor | % Investment as on 31-03-2022 |
| HSBC Medium to Long Duration Fund | 1 | 33.78 | Nil | Nil |

- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | |
|-------------------------------------|---------------|--------------|---------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Quarterly IDCW Option | 2,087,064.827 | 43,701.717 | 58,092.543 | 2,072,674.001 | 10 |
| Regular Growth Option | 6,243,750.448 | 710,082.249 | 322,117.025 | 6,631,715.672 | 10 |
| Direct Plan - Growth Option** | 4,599,982.151 | 906,822.059 | 1,584,469.355 | 3,922,334.855 | 10 |
| Direct Plan - Quarterly IDCW Option | 12,614.203 | 133.257 | 183.269 | 12,564.191 | 10 |

| Description | 2021-2022 | | | | |
|-------------------------------------|---------------|---------------|-------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Quarterly IDCW Option | 2,090,909.436 | 77,742.539 | 81,587.148 | 2,087,064.827 | 10 |
| Regular Growth Option | 4,338,333.707 | 2,314,358.276 | 408,941.535 | 6,243,750.448 | 10 |
| Direct Plan - Growth Option ** | 4,899,880.208 | 601,059.024 | 900,957.081 | 4,599,982.151 | 10 |
| Direct Plan - Quarterly IDCW Option | 12,308.436 | 3,624.356 | 3,318.589 | 12,614.203 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 206,147.313 & as on March 31, 2022 is 206,147.313.

Notes to Accounts – Annexure I (Contd..)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

5. Previous year's figures have been re-grouped/re-arranged where appropriate.
6. No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
7. Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
8. Other income of Rs. 2,672/- represents Exit load credited to the scheme (2022: Rs. Nil).

9. Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAL.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

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

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

dismissed the appeal of the Revenue.

The Department filed Miscellaneous Applications (MA) under section 254(2) of the Income Tax Act with ITAT against the favorable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The ITAT has vide its order dated March 25th 2022 dismissed the MA filed by department.

An appeal filed by Revenue in the High court against the aforesaid order of Feb 2017 is yet to be heard.

11. Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.

12. Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|-----------------------------------|---|---|--|
| HSBC Medium to Long Duration Fund | Moderate | Moderate | 0 |

13. Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below

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

14. Securities , excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
15. Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
16. HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 17 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Corporate Bond Fund (Erstwhile L&T Triple Ace Bond Fund)

An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and relatively low credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Corporate Bond Fund (Erstwhile L&T Triple Ace Bond Fund) (HCBF)

(An open-ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and relatively low credit risk)

The investment objective of the scheme is to generate regular return by investing predominantly in AA+ and above rated debt and money market instruments. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HCBF amounted to INR 6883.62 crores as at March 31, 2023 as against INR 8874.41 crores as at March 31, 2022. Around 98.89% of the net assets were invested in Debt, 5.98% of the net assets were invested in reverse repos/TREPS and (-4.87%) in net current assets as at March 31, 2023.

HCBF's portfolio carries a relatively low credit risk by virtue of its focus on investing predominantly in AAA rated credits. HCBF endeavors to remain invested in bonds of only AAA rated companies and aims to generate significant proportion of the total returns in the form of income yield from accrual of high quality credit.



The HSBC Corporate Bond Fund was overweight on duration compared to the benchmark. The upward movement on yields lead to the underperformance of the scheme.

| HSBC Corporate Bond Fund | | | | Date of Inception : 31 March, 1997 | | | | |
|---|---------------|----------------|---------------|------------------------------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Corporate Bond Fund | 10,315 | 3.15 | 11,652 | 5.23 | 14,187 | 7.23 | 61,543 | 7.23 |
| Scheme Benchmark (NIFTY Corporate Bond Index B-III) | 10,441 | 4.41 | 12,189 | 6.82 | 14,191 | 7.23 | NA | NA |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | NA | NA |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--------------------------|---|---|
| HSBC Corporate Bond Fund |  <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: NIFTY Corporate Bond Index B-III</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Potential Risk Class (PRC) Matrix for Scheme:

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

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix

Trustees' Report

For the year ended March 31, 2023 (Contd...)

classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a

Trustees' Report

For the year ended March 31, 2023 (Contd...)

recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough

Trustees' Report

For the year ended March 31, 2023 (Contd...)

space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

(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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|--------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Corporate Bond Fund | 3,965 | 1,497,750.08 | 61 | 940,867.36 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| III B | Unauthorized switch between Schemes | 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 | |
| III D | Wrong or excess charges/load | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by AdvisorKhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation

Trustees' Report

For the year ended March 31, 2023 (Contd...)

etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Corporate Bond Fund | Moderate | Moderate | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| 5. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Corporate Bond Fund (Erstwhile known as L&T Triple Ace Bond Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Corporate Bond Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report (Contd...)

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQXX3541

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

| | | Rs. in Lakhs | |
|--------------------------|---|-------------------------|-------------------------|
| | | As at March 31, 2023 | As at March 31, 2022 |
| LIABILITIES | | | |
| 1 | Unit Capital | 112,409.10 | 146,106.16 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | 66,579.67 | 85,951.05 |
| 2.2 | Unrealised Appreciation Reserve | - | 3,100.45 |
| 2.3 | Other Reserves | 529,870.82 | 652,271.99 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income/Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 16,116.55 | 526.86 |
| TOTAL | | 724,976.14 | 887,956.51 |
| ASSETS | | | |
| 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 | 493,846.70 | 595,820.66 |
| 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 | 170,395.20 | 222,425.84 |
| 1.5 | Treasury Bills | - | - |
| 1.6 | Commercial Paper/Certificate of Deposits | - | - |
| 1.8 | PTC | - | - |
| 1.9 | Units of Domestic Mutual Fund | - | - |
| 1.10 | Foreign Securities | - | - |
| Total Investments | | 664,241.90 | 818,246.50 |
| 2 | Deposits | 31.32 | 86.83 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 3,017.47 | 47.85 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 41,154.97 | 49,164.51 |
| 3.3 | Others | 16,530.48 | 20,410.82 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | | 724,976.14 | 887,956.51 |

Notes to Accounts – Annexure I

Abridged Revenue Account for the Year ended March 31, 2023

| | | Rs. in Lakhs | |
|------|--|---|--|
| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| 1 | INCOME | | |
| 1.1 | Dividend | - | - |
| 1.2 | Interest | 52,040.07 | 59,103.36 |
| 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 | (10,617.79) | (2,691.14) |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 | Other Income | 7.27 | 10.59 |
| | (A) | 41,429.55 | 56,422.81 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | 1,460.91 | 1,813.31 |
| 2.2 | GST on Management Fees | 262.97 | 326.39 |
| 2.3 | Transfer Agents Fees and Expenses | 218.44 | 251.03 |
| 2.4 | Custodian Fees | 8.92 | 15.15 |
| 2.5 | Trusteeship Fees | 4.03 | 5.96 |
| 2.6 | Commission to Agents | 929.06 | 1,059.48 |
| 2.7 | Marketing & Distribution Expenses | 1.10 | 1.18 |
| 2.8 | Audit Fees | 8.54 | 10.10 |
| 2.9 | Investor Education Expenses | 144.36 | 174.71 |
| 2.10 | Interest on Borrowing | - | - |
| 2.11 | Other Operating Expenses | 21.02 | 9.98 |
| | (B) | 3,059.35 | 3,667.29 |
| 3 | NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 38,370.20 | 52,755.52 |
| 4 | Change in Unrealised Depreciation in Value of Investments | (D) (16,573.54) | (2,029.16) |
| 5 | NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 21,796.66 | 50,726.36 |
| 6 | Change in Unrealised Appreciation in Value of Investments | (F) (3,100.45) | (8,136.47) |
| 7 | NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 18,696.21 | 42,589.89 |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 3,100.45 | 8,136.47 |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 | Add/(Less) : Equalisation | (144,080.85) | 51,539.27 |
| 7.4 | Transfer from Reserve Fund | 652,271.99 | 550,138.45 |
| 7.5 | Transfer from Unit Premium Reserve | - | - |
| 8 | Total | 529,987.80 | 652,404.08 |
| 9 | Dividend Appropriation | | |
| 9.1 | Income Distributed during the Year | (116.99) | (132.09) |
| 9.2 | Tax on Income Distributed during the Year | - | - |
| 10 | Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 529,870.82 | 652,271.99 |

Notes to Accounts - Annexure I

Key Statistics for the Year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 59.6662 | 56.8021 |
| Regular Plan - Quarterly IDCW Option | 11.3748 | 11.5621 |
| Regular Plan - Semi Annual IDCW Option | 17.1264 | 17.0710 |
| Regular Plan - Annual IDCW Option | 11.7238 | 11.8295 |
| Regular Plan - Bonus Option | 22.6645 | 21.5765 |
| Direct Plan - Growth Option | 62.8597 | 59.6391 |
| Direct Plan - Quarterly IDCW Option | 11.7053 | 11.8760 |
| Direct Plan - Semi Annual IDCW Option | 20.1285 | 19.9578 |
| Direct Plan - Annual IDCW Option | 11.8458 | 11.9052 |
| High | | |
| Regular Plan - Growth Option | 61.5431 | 59.6662 |
| Regular Plan - Quarterly IDCW Option | 11.3703 | 11.8304 |
| Regular Plan - Semi Annual IDCW Option | 17.2648 | 17.7695 |
| Regular Plan - Annual IDCW Option | 12.0615 | 12.4113 |
| Regular Plan - Bonus Option | 23.3774 | 22.6645 |
| Direct Plan - Growth Option | 65.0579 | 62.8597 |
| Direct Plan - Quarterly IDCW Option | 11.7012 | 12.1668 |
| Direct Plan - Semi Annual IDCW Option | 20.3226 | 20.8084 |
| Direct Plan - Annual IDCW Option | 12.2281 | 12.5208 |
| Low | | |
| Regular Plan - Growth Option | 60.4286 | 56.9053 |
| Regular Plan - Quarterly IDCW Option | 10.9434 | 11.3372 |
| Regular Plan - Semi Annual IDCW Option | 16.6042 | 17.0697 |
| Regular Plan - Annual IDCW Option | 11.5101 | 11.6849 |
| Regular Plan - Bonus Option | 22.9541 | 21.6158 |
| Direct Plan - Growth Option | 63.8071 | 59.7503 |
| Direct Plan - Quarterly IDCW Option | 11.2819 | 11.6650 |
| Direct Plan - Semi Annual IDCW Option | 19.6599 | 19.9950 |
| Direct Plan - Annual IDCW Option | 11.6768 | 11.8049 |
| End | | |
| Regular Plan - Growth Option | 61.5431 | 59.6662 |
| Regular Plan - Quarterly IDCW Option | 10.9728 | 11.3748 |
| Regular Plan - Semi Annual IDCW | 16.6489 | 17.1264 |
| Regular Plan - Annual IDCW Option | 11.5411 | 11.7238 |
| Regular Plan - Bonus Option | 23.3774 | 22.6645 |
| Direct Plan - Growth Option | 65.0579 | 62.8597 |
| Direct Plan - Quarterly IDCW Option | 11.3126 | 11.7053 |
| Direct Plan - Semi Annual IDCW Option | 19.7134 | 20.1285 |
| Direct Plan - Annual IDCW Option | 11.7085 | 11.8458 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 688,362 | 887,430 |
| Average (AAuM) ¹ | 721,773 | 873,515 |
| 3. Gross income as % of AAuM ² | 5.74% | 6.46% |

Key Statistics for the Year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.63% | 0.63% |
| Direct Plan | 0.29% | 0.29% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.21% | 0.22% |
| Direct Plan | 0.20% | 0.20% |
| 5. Net Income as a percentage of AAuM ³ | 5.32% | 6.04% |
| 6. Portfolio turnover ratio ⁴ | N.A. | N.A. |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Regular Plan - Quarterly IDCW Option | 0.7400 | 0.7600 |
| Regular Plan - Semi Annual IDCW Option | 1.0000 | 0.8000 |
| Regular Plan - Annual IDCW Option | 0.5500 | 0.7000 |
| Direct Plan - Quarterly IDCW Option | 0.7800 | 0.8000 |
| Direct Plan - Semi Annual IDCW Option | 1.1000 | 0.9000 |
| Direct Plan - Annual IDCW Option | 0.5500 | 0.7000 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 3.15% | 5.04% |
| Direct Plan - Growth Option | 3.50% | 5.40% |
| Benchmark | | |
| NIFTY Corporate Bond Index B-III | 4.41% | 5.54% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 7.23% | 7.40% |
| Direct Plan - Growth Option | 7.61% | 8.07% |
| Benchmark | | |
| NIFTY Corporate Bond Index B-III | ⁵ NA | ⁵ NA |

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 Since benchmark for HSBC Corporate Bond Fund was not available on the plan launch date hence benchmark return is NA

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 on year ended March 31, 2023 and March 31, 2022 are NIL
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 is NIL.
- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentage to net assets are as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Bonds and Debentures | | | | |
| - Appreciation | 65,987,445 | 0.10% | 761,308,964 | 0.86% |
| - Depreciation | 1,767,125,430 | 2.57% | 451,264,121 | 0.51% |
| Central and State Government Securities | | | | |
| - Appreciation | 1,113,377 | ~0.00% | - | - |
| - Depreciation | 542,046,409 | 0.79% | 584,717,223 | 0.66% |

(-) - 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 2022-23 (excluding accretion of discount) are Rs. 15,166,877,307 and Rs. 27,841,405,185 being 21.01% and 38.57% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 39,500,720,110 and Rs. 20,170,709,844 being 45.22% and 23.09% of the average 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 |
|-------------------|-----------------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Debt | 47,622,728,431 | 69.18% | - | - |
| Total | 47,622,728,431 | 69.18% | - | - |

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

During the year 2022-23, 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.

Notes to Accounts – Annexure I (Contd..)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

During the year 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|---|--|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 6.08 | 0.37 | 2,875,012 | 3.41 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

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

- 3 None of the Investors held more than 25% of the total net assets of the schemes at the year ended March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan - Growth Option | 664,138,593.324 | 42,347,299.540 | 329,089,731.943 | 377,396,160.921 | 10 |
| Regular Plan - Quarterly IDCW | 10,514,743.595 | 3,098,433.557 | 2,906,502.333 | 10,706,674.819 | 10 |
| Regular Plan - Semi Annual IDCW | 1,016,054.887 | 155,861.530 | 348,435.946 | 823,480.471 | 10 |
| Regular Plan - Bonus Option | 4,783,169.225 | 557.061 | 952,967.534 | 3,830,758.752 | 10 |
| Regular Plan - Annual IDCW | 1,427,525.631 | 246,498.241 | 1,112,421.187 | 561,602.685 | 10 |
| Direct Plan - Growth Option ** | 776,702,267.373 | 217,194,914.278 | 265,195,523.486 | 728,701,658.165 | 10 |
| Direct Plan - Quarterly IDCW | 2,006,488.691 | 127,748.596 | 380,163.515 | 1,754,073.772 | 10 |
| Direct Plan - Semi Annual IDCW | 215,126.148 | 1,017.110 | 58,915.777 | 157,227.481 | 10 |
| Direct Plan - Annual IDCW | 257,589.697 | 21,459.041 | 119,711.399 | 159,337.339 | 10 |

Notes to Accounts – Annexure I (Contd..)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

| Description | 2021-22 | | | | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 386,142,639.125 | 460,906,945.068 | 182,910,990.869 | 664,138,593.324 | 10 |
| Regular Plan - Quarterly IDCW | 13,431,581.373 | 2,051,855.422 | 4,968,693.200 | 10,514,743.595 | 10 |
| Regular Plan - Semi Annual IDCW | 1,037,019.880 | 225,221.946 | 246,186.939 | 1,016,054.887 | 10 |
| Regular Plan - Bonus Option | 5,309,442.259 | - | 526,273.034 | 4,783,169.225 | 10 |
| Regular Plan - Annual IDCW | 2,013,505.822 | 206,021.065 | 792,001.256 | 1,427,525.631 | 10 |
| Direct Plan - Growth Option** | 877,775,599.797 | 523,574,227.130 | 624,647,559.554 | 776,702,267.373 | 10 |
| Direct Plan - Quarterly IDCW | 18,764,899.854 | 402,980.824 | 17,161,391.987 | 2,006,488.691 | 10 |
| Direct Plan - Semi Annual IDCW | 402,411.970 | 119,985.567 | 307,271.389 | 215,126.148 | 10 |
| Direct Plan - Annual IDCW | 443,051.818 | 44,106.193 | 229,568.314 | 257,589.697 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 882,711.373 & as on March 31, 2022 is 135,208.221

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for Regular Plan and Savings Plans for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income: Rs. 726,715/- represents Exit load credited to the scheme. (2022: Rs. 1,059,234/- represents Exit load credited to the scheme.)
- 9 **Investor Education Awareness**

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAI.

Notes to Accounts – Annexure I (Contd..)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF3/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|--------------------------|---|---|--|
| HSBC Corporate Bond Fund | Moderate | Moderate | 0 |

- Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below

| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
|-----------------------------|--------------------------|--------------------|---------------------------|
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | | | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | All | | |

A Scheme with Relatively High interest rate risk and Low credit risk.

- HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will

Notes to Accounts – Annexure I (Contd..)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Medium Duration Fund (Erstwhile L&T Resurgent India Bond Fund)

An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years. A relatively high interest rate risk and moderate credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Medium Duration Fund (Erstwhile L&T Resurgent India Bond Fund) (HMDF)

(An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years. A relatively high interest rate risk and moderate credit risk.)

The investment objective of the scheme is to generate income by investing primarily in debt and money market securities. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of HMDF amounted to INR 650.58 crores as at March 31, 2023 as against INR 1037.35 crores as at March 31, 2022. Around 93.54% of the net assets were invested in Debt, 19.15% of the net assets were invested in reverse repos/TREPS and (-12.69%) in net current assets as at March 31, 2023.



HMDF endeavors to create alpha by identifying securities of value propositions, vis-à-vis yield curve steepness, attractive carry opportunities, elevated credit spreads, etc. with a focus to strategically manage duration in periods of volatile interest rates. With interest rates consolidating at a higher level, HMDF follows a strategy to combine a prudent mix of strategic duration calls and accrual product.

HMDF has underperformed the benchmark on the 1-year horizon as the fund was underweight on duration.

| HSBC Medium Duration Fund | | Date of Inception : 2 February, 2015 | | | | | | |
|---|---------------|--------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Medium Duration Fund | 10,349 | 3.49 | 11,623 | 5.14 | 13,172 | 5.65 | 17,114 | 6.81 |
| Scheme Benchmark (NIFTY Medium Duration Debt Index B-III) | 10,422 | 4.22 | 12,295 | 7.13 | 14,080 | 7.07 | 18,151 | 7.58 |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 16,069 | 5.98 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---------------------------|---|--|
| HSBC Medium Duration Fund |  <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: NIFTY Medium Duration Debt Index B-III</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Potential Risk Class (PRC) Matrix for Scheme:

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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD 30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp

Trustees' Report

For the year ended March 31, 2023 (Contd...)

interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Medium Duration Fund | – | – | 2 | 14,916.07 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|-----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-------------------|--------------|--------------|--------------|---------------|----------|
| Com-plaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorskhaj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---------------------------|---|---|--|
| HSBC Medium Duration Fund | Moderate | Moderate | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| | a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | | | |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR: NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Medium Duration Fund (Erstwhile known as L&T Resurgent India Bond Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Medium Duration Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report *(Contd...)*

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated २२July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.

In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYG3939

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 62,122.21 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 2,130.95 |
| 2.2 | Unrealised Appreciation Reserve | 643.46 |
| 2.3 | Other Reserves | 39,088.29 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 150.80 |
| | TOTAL | 104,135.71 |
| 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 | 56,460.97 |
| 1.1.5 | Securitized Debt Securities | 5,348.46 |
| 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 | 35,788.88 |
| 1.5 | Treasury Bills | - |
| 1.6 | Commercial Paper/Certificate of Deposits | - |
| 1.8 | PTC | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | Total Investments | 97,598.31 |
| 2 | Deposits | 17.04 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 8.94 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 4,270.27 |
| 3.3 | Others | 2,241.17 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 104,135.71 |

Notes to Accounts - Annexure I

Abridged Revenue Account For the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | – | – |
| 1.2 Interest | 5,168.73 | 6,905.82 |
| 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 | (1,426.73) | (3,368.22) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | – | – |
| 1.7 Other Income | 46.16 | 3.90 |
| | (A) 3,788.16 | 3,541.50 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 277.60 | 434.51 |
| 2.2 GST on Management Fees | 49.97 | 78.21 |
| 2.3 Transfer Agents Fees and Expenses | 29.83 | 41.23 |
| 2.4 Custodian Fees | 0.84 | 1.83 |
| 2.5 Trusteeship Fees | 0.39 | 0.68 |
| 2.6 Commission to Agents | 421.11 | 674.88 |
| 2.7 Marketing & Distribution Expenses | 0.30 | 0.47 |
| 2.8 Audit Fees | 0.83 | 1.17 |
| 2.9 Investor Education Expenses | 14.03 | 20.26 |
| 2.10 Interest on Borrowing | – | – |
| 2.11 Other Operating Expenses | 5.25 | 5.36 |
| | (B) 800.15 | 1,258.60 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B) | 2,988.01 | 2,282.90 |
| 4 Change in Unrealised Depreciation in Value of Investments (D) | (188.98) | 1,605.93 |
| 5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D) | 2,799.03 | 3,888.83 |
| 6 Change in Unrealised Appreciation in Value of Investments (F) | (617.41) | 453.89 |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F) | 2,181.62 | 4,342.72 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 617.41 | – |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | – | 453.89 |
| 7.3 Add/(Less) : Equalisation | (12,657.97) | 9,569.79 |
| 7.4 Transfer from Reserve Fund | 39,088.29 | 25,669.69 |
| 7.5 Transfer from Unit Premium Reserve | – | – |
| 8 Total | 29,229.35 | 39,128.31 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (46.16) | (40.01) |
| 9.2 Tax on Income Distributed during the Year | – | – |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 29,183.21 | 39,088.29 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 16.5368 | 15.7943 |
| Regular Plan - IDCW Option Option | 10.8918 | 11.0446 |
| Regular Plan - Annual IDCW Option | 11.2134 | 11.3792 |
| Direct Plan - Growth Option | 17.6159 | 16.6750 |
| Direct Plan - IDCW Option Option | 11.6034 | 11.6228 |
| Direct Plan - Annual IDCW Option | 11.9553 | 12.0180 |
| High | | |
| Regular Plan - Growth Option | 17.1141 | 16.5368 |
| Regular Plan - IDCW Option | NA | 11.1279 |
| Regular Plan - Annual IDCW Option | 11.5946 | 11.8998 |
| Direct Plan - Growth Option | 18.3852 | 17.6159 |
| Direct Plan - IDCW Option | 11.6098 | 11.7500 |
| Direct Plan - Annual IDCW Option | 12.4656 | 12.6763 |
| Low | | |
| Regular Plan - Growth Option | 16.2229 | 15.8196 |
| Regular Plan - IDCW Option | NA | 10.8779 |
| Regular Plan - Annual IDCW Option | 10.7416 | 11.1968 |
| Direct Plan - Growth Option | 17.2969 | 16.7038 |
| Direct Plan - IDCW Option | 11.3031 | 11.5688 |
| Direct Plan - Annual IDCW Option | 11.5626 | 11.9346 |
| End | | |
| Regular Plan - Growth Option | 17.1141 | 16.5368 |
| Regular Plan - IDCW Option | NA | 10.8918 |
| Regular Plan - Annual IDCW Option | 10.7538 | 11.2134 |
| Direct Plan - Growth Option | 18.3852 | 17.6159 |
| Direct Plan - IDCW Option | 11.4402 | 11.6034 |
| Direct Plan - Annual IDCW Option | 11.5764 | 11.9553 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 65,058 | 103,985 |
| Average (AAuM) ¹ | 70,126 | 101,292 |
| 3. Gross income as % of AAuM ² | 5.40% | 3.50% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.37% | 1.47% |
| Direct Plan | 0.52% | 0.57% |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.40% | 0.43% |
| Direct Plan | 0.38% | 0.42% |
| 5. Net Income as a percentage of AAuM ³ | 4.26% | 2.25% |
| 6. Portfolio turnover ratio ⁴ | N.A. | N.A. |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Regular Plan - IDCW Option | 0.6500 | 0.6600 |
| Regular Plan - Annual IDCW Option | 0.8500 | 0.7000 |
| Direct Plan - IDCW Option | 0.6500 | 0.6600 |
| Direct Plan - Annual IDCW Option | 0.9000 | 0.7400 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 3.49% | 4.70% |
| Direct Plan - Growth Option | 4.37% | 5.64% |
| Benchmark | | |
| NIFTY Medium Duration Debt Index B-III | 4.22% | 5.68% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 6.81% | 7.28% |
| Direct Plan - Growth Option | 7.75% | 8.23% |
| Benchmark | | |
| NIFTY Medium Duration Debt Index B-III | 7.58% | 7.05% |

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, 2023

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 on year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 are as follows:

| Issuer | Instrument Type | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) | Amount (Rs.) | Aggregate Investments by all schemes (Rs.) |
|--|-------------------------------|--------------|--|--------------|--|
| | | 2022-23 | | 2021-22 | |
| L&T Metro Rail (Hyderabad) Limited (Put Option On L&T Limited) | Fixed rates bonds - Corporate | – | – | 178,093,033 | 178,093,033 |

With effect from the close of business hours on November 25, 2022 the schemes of L&T Mutual Fund were transferred to and formed part of HSBC Mutual Fund, accordingly for the purposes of above disclosures, the associate and group companies of HSBC Asset Management (India) Private Limited are considered for the period ended March 31, 2023, while for the period ended March 31, 2022 the associate and group companies of erstwhile asset management company of L&T Mutual Fund (i.e. L&T Investment Management Limited) are considered.

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year 2023 and 2022 and their percentage to net assets are as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Bonds and Debentures | | | | |
| – Appreciation | 22,206,882 | 0.34% | 95,079,307 | 0.91% |
| – Depreciation | 73,810,168 | 1.13% | 43,692,553 | 0.42% |
| Securitised Debt Securities | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | 8,847,118 | 0.14% | – | – |
| Asset Backed Securities | | | | |
| – Appreciation | – | – | 12,958,838 | 0.12% |
| – Depreciation | – | – | – | – |
| Central and State Government Securities | | | | |
| – Appreciation | 4,925,314 | 0.08% | – | – |
| – Depreciation | 2,320,522 | 0.04% | 41,552,794 | 0.40% |

(-) - 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, 2023

- 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) are Rs. 8,288,450,787.56 and Rs. 11,999,551,467.58 being 118.19% and 171.12% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 14,502,539,822 and Rs. 11,307,648,431.88 being 143.18% and 111.63% of the average 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 |
|-------------------|----------------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Debt | 2,779,463,353 | 42.72% | – | – |
| Total | 2,779,463,353 | 42.72% | – | – |

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

During the year 2022-23, 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 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|---|--|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | 0.11 | 0.04 | 2,753 | 0.01 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | – | – | – | – |

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

- 3 None of the Investors held more than 25% of the total net assets of the schemes at the year ended March 31, 2023 and March 31, 2022.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | Opening Units | Subscription | Redemption | Closing Units | Face value |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|------------|
| | | | | | |
| Regular Plan - Growth Option | 498,274,861.970 | 101,084,213.268 | 315,902,984.276 | 283,456,090.962 | 10 |
| Regular Plan - IDCW | 857,416.153 | 613,768.707 | 691,336.586 | 779,848.274 | 10 |
| Regular Plan - Annual IDCW | 89,027.267 | 7,194.504 | 53,991.746 | 42,230.025 | 10 |
| Direct Plan - Growth Option** | 121,847,342.830 | 61,446,150.098 | 59,582,010.454 | 123,711,482.474 | 10 |
| Direct Plan - Annual IDCW | 102,048.241 | 4,358,581.945 | 1,048.832 | 4,459,581.354 | 10 |
| Direct Plan - IDCW | 51,356.695 | 3,600.849 | 9,752.631 | 45,204.913 | 10 |
| 2021-22 | | | | | |
| Regular Plan - Growth Option | 385,786,830.480 | 254,805,324.038 | 142,317,292.548 | 498,274,861.970 | 10 |
| Regular Plan - IDCW | 1,320,134.787 | 77,472.635 | 540,191.269 | 857,416.153 | 10 |
| Regular Plan - Annual IDCW | 108,025.033 | 15,236.366 | 34,234.132 | 89,027.267 | 10 |
| Direct Plan - Growth Option** | 75,241,417.242 | 249,836,507.568 | 203,230,581.980 | 121,847,342.830 | 10 |
| Direct Plan - Annual IDCW | 3,641,104.853 | 855,779.045 | 4,394,835.657 | 102,048.241 | 10 |
| Direct Plan - IDCW | 51,985.727 | 6,227.996 | 6,857.028 | 51,356.695 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 500,000 & as on March 31, 2022 is 500,000

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income: Rs. 4,616,130/- represents Exit load credited to the scheme. (2022: Rs. 390,089/-represents Exit load credited to the scheme)
- 9 **Investor Education Awareness**

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAI.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF3/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---------------------------|---|---|--|
| HSBC Medium Duration Fund | Moderate | Moderate | 0 |

- Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below:

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

- HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered

Notes to Accounts – Annexure I (Contd..)

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Gilt Fund (Erstwhile L&T Gilt Fund)

An open ended debt scheme investing in government securities across maturity.
A relatively high interest rate risk and relatively low credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway,
Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway,
Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex,
Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony,
Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Gilt Fund (Erstwhile L&T Gilt Fund) (HGF)

(Gilt Fund - An open ended debt scheme investing in government securities across maturity. A relatively high interest rate risk and relatively low credit risk.)

The scheme seeks to generate returns from a portfolio from investments in Government Securities. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The net assets of the scheme amounted to INR 228.58 crores as at March 31, 2023 as against INR 243.22 crores as at March 31, 2022. Around 80.83% of the net assets were invested in G-Sec, 7.97% of the net assets were invested in reverse repos/TREPS and 11.2% in net current assets as at March 31, 2023.

HGF aims to generate alpha through active duration management and invests predominantly in sovereign instruments and hence has minimal credit risk. HGF endeavors to generate positive returns from even the lowest interest rates in the cycle, Irrespective of the interest rate cycle, through active duration management and aggressive cash calls along with dynamic asset allocation.

In the current scenario where interest rates are nearing the peak in this cycle, there are opportunities to capture alpha through strategic overweight duration in this fund. HGF is an actively managed fund investing across the yield curve in Govt. Securities and SDLs to generate alpha. HGF also follows dynamic duration management to seize potential upsides as interest rates are expected to soften while also reducing risks in an uncertain environment. The fund manager strives to maintain a highly liquid portfolio so as to enable positioning changes based on evolving scenario.



HGF has performed well against the benchmark in the 1-year horizon as the fund was strategically running high cash position and was able to capture upward movement in yields in favor.

| HSBC Gilt Fund | | Date of Inception : 29 March, 2000 | | | | | | | |
|---|---------------|------------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Gilt Fund | 10,410 | 4.10 | 11,210 | 3.88 | 13,140 | 5.60 | 56,715 | 7.83 | |
| Scheme Benchmark (NIFTY All Duration G-Sec Index) | 10,447 | 4.47 | 11,559 | 4.95 | 14,259 | 7.34 | NA | NA | |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | NA | NA | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|----------------|--|--|
| HSBC Gilt Fund |  <p>RISKOMETER</p> <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: NIFTY All Duration G-Sec Index</p>  <p>RISKOMETER</p> |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class (PRC) Matrix for Scheme:

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

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|----------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Gilt Fund | 141 | 94,313.14 | 4 | 148,851.65 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|-----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-------------------|--------------|--------------|--------------|---------------|----------|
| Com-plaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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, 2023 (Contd...)

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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, 2023 (Contd...)

11. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|----------------|---|---|--|
| HSBC Gilt Fund | Low to Moderate | Moderate | 3 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The Trustees look forward to the continued support of everyone.

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

Sd/-

Trustee

Mumbai

July 11, 2023

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|-------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|-------------------------------|
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Gilt Fund (Erstwhile known as L&T Gilt Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Gilt Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth

Independent Auditors' Report *(Contd...)*

Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated २२२July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN : 23117812BGXQYC8740

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 4,079.36 |
| 2 | Reserves & Surplus | 4,511.25 |
| 2.1 | Unit Premium Reserves | (2,798.50) |
| 2.2 | Unrealised Appreciation Reserve | (3,078.62) |
| 2.3 | Other Reserves | - |
| | | 0.31 |
| | | 22,891.17 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | - |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 56.54 |
| | | 5,327.35 |
| | TOTAL | 23,004.02 |
| | | 29,651.46 |
| 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 | 18,183.81 |
| 1.5 | Treasury Bills | 9,640.67 |
| 1.6 | Commercial Paper/Certificate of Deposits | - |
| 1.8 | PTC | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | Total Investments | 18,183.81 |
| | | 15,414.70 |
| 2 | Deposits | 8.30 |
| 3 | Other Current Assets | 48.75 |
| 3.1 | Cash & Bank Balance | 95.90 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 1,821.18 |
| 3.3 | Others | 2,894.83 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 23,004.02 |
| | | 29,651.46 |

Notes to Accounts - Annexure I

Abridged Revenue Account For the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | - | - |
| 1.2 Interest | 1,511.00 | 1,486.08 |
| 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 | (196.39) | (717.90) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | - | - |
| | (A) 1,314.61 | 768.18 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 83.90 | 93.24 |
| 2.2 GST on Management Fees | 15.10 | 16.78 |
| 2.3 Transfer Agents Fees and Expenses | 10.39 | 10.82 |
| 2.4 Custodian Fees | 0.01 | 0.01 |
| 2.5 Trusteeship Fees | 0.13 | 0.18 |
| 2.6 Commission to Agents | 240.97 | 259.34 |
| 2.7 Marketing & Distribution Expenses | 0.19 | 0.25 |
| 2.8 Audit Fees | 0.28 | 0.30 |
| 2.9 Investor Education Expenses | 4.79 | 5.17 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 4.78 | 4.31 |
| | (B) 360.54 | 390.40 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B) | 954.07 | 377.78 |
| 4 Change in Unrealised Depreciation in Value of Investments (D) | 47.17 | 188.94 |
| 5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D) | 1,001.24 | 566.72 |
| 6 Change in Unrealised Appreciation in Value of Investments (F) | (0.31) | 0.31 |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F) | 1,000.93 | 567.03 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 0.31 | (0.31) |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 Add/(Less) : Equalisation | (2,217.29) | (2,263.10) |
| 7.4 Transfer from Reserve Fund | 22,891.17 | 24,601.92 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 21,675.12 | 22,905.54 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (8.49) | (14.37) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 21,666.62 | 22,891.17 |

Notes to Accounts - Annexure I

Key Statistics For the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 54.4818 | 53.4279 |
| Regular Plan - Quarterly IDCW Option | 11.2230 | 11.8395 |
| Direct Plan - Growth Option | 60.0610 | 58.1961 |
| Direct Plan - Quarterly IDCW Option | 12.5034 | 13.0211 |
| High | | |
| Regular Plan - Growth Option | 56.7531 | 54.9906 |
| Regular Plan - Quarterly IDCW Option | 11.2389 | 13.2578 |
| Direct Plan - Growth Option | 63.3190 | 60.3912 |
| Direct Plan - Quarterly IDCW Option | 12.6376 | 12.0262 |
| Low | | |
| Regular Plan - Growth Option | 54.0304 | 53.5454 |
| Regular Plan - Quarterly IDCW Option | 11.0108 | 12.4826 |
| Direct Plan - Growth Option | 59.6398 | 58.3614 |
| Direct Plan - Quarterly IDCW Option | 12.3289 | 11.2076 |
| End | | |
| Regular Plan - Growth Option | 56.7151 | 54.4818 |
| Regular Plan - Quarterly IDCW Option | 11.0195 | 11.2230 |
| Direct Plan - Growth Option | 63.2808 | 60.0610 |
| Direct Plan - Quarterly IDCW Option | 12.4150 | 12.5034 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 22,858 | 24,324 |
| Average (AAuM) ¹ | 23,957 | 25,861 |
| 3. Gross income as % of AAuM ² | | |
| | 5.49% | 2.97% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.70% | 1.70% |
| Direct Plan | 0.49% | 0.50% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.35% | 0.36% |
| Direct Plan | 0.35% | 0.35% |
| 5. Net Income as a percentage of AAuM ³ | | |
| | 3.98% | 1.46% |
| 6. Portfolio turnover ratio ⁴ | | |
| | N.A. | N.A. |

Key Statistics For the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Regular Plan - Quarterly IDCW Option | 0.6500 | 0.8500 |
| Direct Plan - Quarterly IDCW Option | 0.7400 | 0.9300 |
| 8. Returns: | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option | 4.10% | 1.97% |
| Direct Plan - Growth Option | 5.36% | 3.20% |
| Benchmark | | |
| NIFTY All Duration G-Sec Index | 4.47% | 4.03% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 7.83% | 8.00% |
| Direct Plan - Growth Option | 8.82% | 9.20% |
| Benchmark | | |
| NIFTY All Duration G-Sec Index | § NA | 7.49% |

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 launch date of the NIFTY All Duration G-Sec Index is Sep. 03, 2001 whereas the inception date of the scheme is March 29, 2000. The corresponding benchmark returns since inception of the scheme not available. (NSE_Indices_Riskometer_2022-11.pdf (niftyindices.com))

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 on year ended March 31, 2023 & March 31, 2022 is NIL.
- 1.3. Investments in Associates and Group Companies are as under :

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes | Amount | Aggregate Investments by all schemes |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 & March 31, 2022 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 & March 31, 2022 is NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year and their percentages to net assets are as under:

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|--------------|--------------------------|--------------|--------------------------|
| | 31-Mar-23 | | 31-Mar-22 | |
| Treasury Bills | | | | |
| - Appreciation | - | - | 31,182 | ~0.00% |
| - Depreciation | - | - | - | - |
| Central and State Government Securities | | | | |
| - Appreciation | 4,784,017 | 0.21% | 111,600 | ~0.00% |
| - Depreciation | 7,546,533 | 0.33% | 7,590,813 | 0.31% |

(-) - 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 2022-23 (excluding accretion of discount) are Rs. 17,099,372,369 and Rs. 16,793,882,600 being 713.74% and 700.99% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 25,803,975,605 and Rs. 26,146,341,483 being 997.78% and 1011.02% of the average net assets.

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net as on March 31, 2023 & March 31, 2022 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 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 | Group Company | 2022-2023 | 0.56 | 2.01 | 948 | ~0.00 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | Nil | | | |

(~) - Indicates less than 0.01%

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

- None of the Investors held more than 25% of the total net assets of the schemes at the year ended March 31, 2023 and March 31, 2022.
- Unit Capital movement during the year ended March 31, 2023 and March 31, 2022.

| Description | Opening Units | Subscription | Redemption | Closing Units | Face value |
|-------------------------------|----------------|---------------|----------------|----------------|------------|
| | 2022-23 | | | | |
| Regular Plan - Growth Option | 37,516,447.730 | 3,640,048.075 | 7,085,130.823 | 34,071,364.982 | 10 |
| Regular Plan - Quarterly IDCW | 1,043,567.794 | 34,419.499 | 172,710.938 | 905,276.355 | 10 |
| Direct Plan - Growth Option** | 6,198,919.513 | 1,259,138.892 | 1,949,524.333 | 5,508,534.072 | 10 |
| Direct Plan - Quarterly IDCW | 353,584.429 | 32,453.656 | 77,642.373 | 308,395.712 | 10 |
| 2021-22 | | | | | |
| Regular Plan - Growth Option | 40,739,962.697 | 9,868,377.359 | 13,091,892.326 | 37,516,447.730 | 10 |
| Regular Plan - Quarterly IDCW | 1,353,560.920 | 58,962.422 | 368,955.548 | 1,043,567.794 | 10 |
| Direct Plan - Growth Option** | 7,355,046.584 | 1,320,519.515 | 2,476,646.586 | 6,198,919.513 | 10 |
| Direct Plan - Quarterly IDCW | 539,655.467 | 61,184.656 | 247,255.694 | 353,584.429 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 142,009.952 & as on March 31, 2022 is 142,009.952

- Previous year figures have been re-grouped/re-arranged where necessary.
- There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
8 Other income: Nil (2022: Rs. 350/- represents Exit load credited to the scheme)

9 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEA.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|----------------|---|---|--|
| HSBC Gilt Fund | Moderate | Low to Moderate | 3 |

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

- 14 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below:

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

- 15 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Credit Risk Fund (Erstwhile L&T Credit Risk Fund)

An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA + rated corporate bonds). A relatively high interest rate risk and relatively high credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

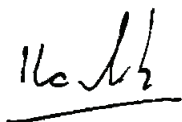
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC Credit Risk Fund (Erstwhile L&T Credit Risk Fund) (HCRF)

(An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds). A relatively high interest rate risk and relatively high credit risk)

The investment objective of the scheme is to generate regular returns and capital appreciation by investing predominantly in AA and below rated corporate bonds, debt, government securities and money market

Trustees' Report

For the year ended March 31, 2023 (Contd...)

instruments. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.

The net assets of HCRF amounted to INR 129.68 crores as at March 31, 2023 as against INR 175.15 crores as at March 31, 2022. Around 77.95% of the net assets were invested in Debt, 22.25% of the net assets were invested in reverse repos/TREPS and (-0.2%) in net current assets as at March 31, 2023.



HCRF follows an accrual-based, yield-enhancement strategy and a low portfolio turnover to help generate returns through accrual. Robust credit selection process to spot mispriced credit opportunities. HCRF offers a yield pick up over traditional bond funds and has the potential to deliver outperformance over the medium term. Rigorous credit monitoring is conducted by in-house credit research team.

HCRF underperformance as compared to benchmark was due to the scheme being underweight on duration for most part of the year. Also, the scheme exposure to high quality assets was more than the benchmark.

| HSBC Credit Risk Fund | | | | Date of Inception : 8 October, 2009 | | | | |
|---|---------------|----------------|---------------|-------------------------------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Credit Risk Fund | 10,403 | 4.03 | 11,349 | 4.31 | 12,341 | 4.29 | 24,551 | 6.89 |
| Scheme Benchmark (NIFTY Credit Risk Bond Index C-III) | 10,701 | 7.01 | 12,751 | 8.44 | 15,015 | 8.45 | 32,296 | 9.08 |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 22,119 | 6.06 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-----------------------|--|---|
| HSBC Credit Risk Fund |  <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: NIFTY Credit Risk Bond Index C-III</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Potential Risk Class (PRC) Matrix for Scheme:

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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class ("PRC") matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp

Trustees' Report

For the year ended March 31, 2023 (Contd...)

interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|-----------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Credit Risk Fund | 28 | 71,246.00 | 2 | 541,126.13 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorskhaj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|-----------------------|---|---|--|
| HSBC Credit Risk Fund | Moderately High | Moderate | 5 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The Trustees look forward to the continued support of everyone.

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

Sd/-

Trustee

Mumbai

July 11, 2023

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|-------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|-------------------------------|
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Credit Risk Fund (Erstwhile known as L&T Credit Risk Fund) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Credit Risk Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth

Independent Auditors' Report (Contd...)

Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated २२July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQYA3188

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

| | | Rs. in Lakhs | |
|--------------------------|---|-------------------------|-------------------------|
| | | As at March 31, 2023 | As at March 31, 2022 |
| LIABILITIES | | | |
| 1 | Unit Capital | 5,370.13 | 7,527.39 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | 642.23 | 983.18 |
| 2.2 | Unrealised Appreciation Reserve | 19.61 | 195.15 |
| 2.3 | Other Reserves | 6,936.17 | 8,806.22 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income/Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 33.95 | 36.07 |
| TOTAL | | 13,002.09 | 17,548.01 |
| ASSETS | | | |
| 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 | 7,753.44 | 12,561.24 |
| 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 | 2,013.95 | 2,028.58 |
| 1.5 | Treasury Bills | - | - |
| 1.6 | Commercial Paper/Certificate of Deposits | - | - |
| 1.8 | PTC | - | - |
| 1.9 | Units of Domestic Mutual Fund | - | - |
| 1.10 | Foreign Securities | - | - |
| Total Investments | | 9,767.39 | 14,589.82 |
| 2 | Deposits | 0.73 | 2.69 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 3.17 | 4.54 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 2,884.35 | 2,419.35 |
| 3.3 | Others | 346.45 | 531.61 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | | 13,002.09 | 17,548.01 |

Notes to Accounts – Annexure I

Abridged Revenue Account for the Year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | - | - |
| 1.2 Interest | 1,112.48 | 1,297.49 |
| 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 | (150.50) | (4,994.05) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 11.86 | 0.58 |
| (A) | 973.84 | (3,695.98) |
| 2 EXPENSES | | |
| 2.1 Management Fees | 101.85 | 126.72 |
| 2.2 GST/Service Tax on Management Fees | 18.33 | 22.81 |
| 2.3 Transfer Agents Fees and Expenses | 6.57 | 7.85 |
| 2.4 Custodian Fees | 0.24 | 0.48 |
| 2.5 Trusteeship Fees | 0.09 | 0.14 |
| 2.6 Commission to Agents | 107.40 | 145.03 |
| 2.7 Marketing & Distribution Expenses | 0.25 | 0.12 |
| 2.8 Audit Fees | 0.18 | 0.22 |
| 2.9 Investor Education Expenses | 3.06 | 3.85 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 4.95 | 5.61 |
| (B) | 242.92 | 312.83 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 730.92 | (4,008.81) |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) 21.28 | 4,926.50 |
| 5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 752.20 | 917.69 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) (175.54) | 169.42 |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 576.66 | 1,087.11 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 175.54 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 169.42 |
| 7.3 Add/(Less) : Equalisation | (2,613.46) | (2,968.34) |
| 7.4 Transfer from Reserve Fund | 8,806.22 | 10,870.75 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 6,944.96 | 8,820.10 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | (8.79) | (13.88) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 6,936.17 | 8,806.22 |

Notes to Accounts - Annexure I

Key Statistics for the Year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 23.6010 | 22.3122 |
| Regular Plan – Monthly IDCW Option | 10.1747 | 10.1999 |
| Regular Plan – Annual IDCW Option | 11.7755 | 11.1324 |
| Regular Plan – Bonus Option | 23.2210 | 21.9530 |
| Direct Plan – Growth Option | 24.9259 | 23.3207 |
| Direct Plan – IDCW Option | 10.8197 | 10.7139 |
| Direct Plan – Annual IDCW Option | 12.3593 | 11.5904 |
| High | | |
| Regular Plan – Growth Option | 24.5511 | 23.6010 |
| Regular Plan – IDCW Option | 10.2153 | 10.3371 |
| Regular Plan – Annual IDCW Option | 12.2394 | 11.7755 |
| Regular Plan – Bonus Option | 24.1566 | 23.2210 |
| Direct Plan – Growth Option | 26.1388 | 24.9259 |
| Direct Plan – IDCW Option | 10.9741 | 10.9427 |
| Direct Plan – Annual IDCW Option | 12.9488 | 12.3593 |
| Low | | |
| Regular Plan – Growth Option | 23.3690 | 22.3416 |
| Regular Plan – IDCW Option | 10.0094 | 10.1628 |
| Regular Plan – Annual IDCW Option | 11.5875 | 11.1471 |
| Regular Plan – Bonus Option | 22.9933 | 21.9820 |
| Direct Plan – Growth Option | 24.7029 | 23.4105 |
| Direct Plan – IDCW Option | 10.6649 | 10.7161 |
| Direct Plan – Annual IDCW Option | 12.2471 | 11.6079 |
| End | | |
| Regular Plan – Growth Option | 24.5511 | 23.6010 |
| Regular Plan – IDCW Option | 10.1938 | 10.1747 |
| Regular Plan – Annual IDCW Option | 11.5989 | 11.7755 |
| Regular Plan – Bonus Option | 24.1566 | 23.2210 |
| Direct Plan – Growth Option | 26.1388 | 24.9259 |
| Direct Plan – IDCW Option | 10.9541 | 10.8197 |
| Direct Plan – Annual IDCW Option | 12.2600 | 12.3593 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 12,968 | 17,512 |
| Average (AAuM) ¹ | 15,280 | 19,235 |
| 3. Gross income as % of AAuM ² | 6.37% | (19.21)% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 1.66% | 1.66% |
| Direct Plan | 0.85% | 0.86% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.67% | 0.66% |
| Direct Plan | 0.64% | 0.64% |

Key Statistics for the Year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 5. Net Income as a percentage of AAuM ³ | 4.78% | (20.84)% |
| 6. Portfolio turnover ratio ⁴ | N.A. | N.A. |
| 7. Total IDCW per unit distributed during the year (plan wise) | | |
| Regular Plan – IDCW Option | 0.1800 | – |
| Regular Plan – Monthly IDCW Option | 0.2000 | 0.6000 |
| Regular Plan – Annual IDCW Option | 0.6500 | – |
| Direct Plan – IDCW Option | 0.3800 | 0.6000 |
| Direct Plan – Annual IDCW Option | 0.7000 | – |
| 8. Returns % : | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan – Growth Option | 4.03% | 5.78% |
| Direct Plan – Growth Option | 4.87% | 6.63% |
| Benchmark | | |
| NIFTY Credit Risk Bond Index | 7.01% | 8.16% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan – Growth Option | 6.89% | 7.12% |
| Direct Plan – Growth Option | 7.16% | 7.41% |
| Benchmark | | |
| NIFTY Credit Risk Bond Index | 9.08% | 9.01% |

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, 2023

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 on year ended March 31, 2023 & March 31, 2022 is NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 is NIL.
- 1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2023 and March 31, 2022.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are Nil.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year March 31, 2023 and March 31, 2022 are as under :

| Company Name | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Commercial Papers / Certificate of Deposits | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | – | – |
| Bonds and Debentures | | | | |
| – Appreciation | 14,608,060 | 1.13% | 25,861,896 | 1.48% |
| – Depreciation | 14,035,767 | 1.08% | 6,346,765 | 0.36% |
| Central and State Government Securities | | | | |
| – Appreciation | 1,388,607 | 0.11% | – | – |
| – Depreciation | – | – | 2,128,385 | 0.12% |

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) is Rs. 20,71,277,761 and Rs. 25,00,565,946 respectively being 135.55% and 163.65% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) is Rs. 25,26,802,721 and Rs. 28,93,443,417 respectively being 131.37% and 150.43% of the average 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 |
|-------------------|--------------------|--------------------------|----------------------|--------------------------|
| | 2023 | | 2022 | |
| | Debt | 775,343,674 | 59.79% | 1,256,123,931 |
| Total | 775,343,674 | 59.79% | 1,256,123,931 | 71.73% |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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

During the year 2022-23, 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 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|---|--|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | | | Nil | |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | | | Nil | |

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

- 3 None of the Investors held more than 25% of the total net assets of the schemes at the year ended March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|------------------------------------|----------------|---------------|----------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan – Bonus Option | 1,000.000 | – | – | 1,000.000 | 10 |
| Regular Plan – Growth Option | 69,613,972.680 | 1,755,673.897 | 25,620,510.993 | 45,749,135.584 | 10 |
| Regular Plan – Monthly IDCW Option | 2,081,770.326 | 52,544.133 | 139,264.849 | 1,995,049.610 | 10 |
| Regular Plan – Annual IDCW Option | 46,761.824 | 22,381.730 | 17,284.524 | 51,859.030 | 10 |
| Direct Plan – Growth Option** | 3,416,105.997 | 3,253,815.144 | 881,581.522 | 5,788,339.619 | 10 |
| Direct Plan – Monthly IDCW Option | 52,691.301 | 3,389.310 | 9,472.677 | 46,607.934 | 10 |
| Direct Plan – Annual IDCW Option | 61,549.744 | 10,998.255 | 3,213.932 | 69,334.067 | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| Description | 2021-22 | | | | |
|------------------------------------|----------------|---------------|----------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan – Bonus Option | 1,000.000 | – | – | 1,000.000 | 10 |
| Regular Plan – Growth Option | 97,338,670.123 | 2,751,088.204 | 30,475,785.647 | 69,613,972.680 | 10 |
| Regular Plan – Monthly IDCW Option | 2,423,920.353 | 25,953.333 | 368,103.360 | 2,081,770.326 | 10 |
| Regular Plan – Annual IDCW Option | 154,497.898 | 8,711.812 | 116,447.886 | 46,761.824 | 10 |
| Direct Plan – Growth Option** | 2,624,088.128 | 1,090,109.926 | 298,092.057 | 3,416,105.997 | 10 |
| Direct Plan – Monthly IDCW Option | 56,687.196 | 92,512.238 | 96,508.133 | 52,691.301 | 10 |
| Direct Plan – Annual IDCW Option | 174,465.103 | 2,504.024 | 115,419.383 | 61,549.744 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 317,087.865 & as on March 31, 2022 is 317,087.865

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 There are no contingent liabilities and other commitments as on March 31, 2023 and March 31, 2022. Contingent asset is neither recognized nor disclosed in the financial statements.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income: Rs. 11,85,637/- represents Exit load credited to the scheme. (2022: Rs. 57,692/- represents Exit load credited to the scheme)
- 9 **Investor Education Awareness**

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEA.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--------------------------------------|----------------------|----------------------|
| | Amount (in Rs. Lacs) | Amount (in Rs. Lacs) |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------------|----------------------|
| | Amount (in Rs. Lacs) | Amount (in Rs. Lacs) |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|-----------------------|---|---|--|
| HSBC Credit Risk Fund | Moderate | Moderately High | 5 |

- Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07, 2021. The details of Potential Risk Class matrix of schemes are given in below:

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

- HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

- schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index Fund

An open-ended Target Maturity Index Fund tracking CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028. Relatively high interest rate risk and relatively low credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

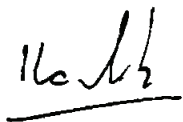
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC CRISIL IBX 50-50 Gilt Plus SDL Apr 2028 Index Fund (HCIGPSF)

(Index Fund - An open-ended Target Maturity Index Fund tracking CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028. Relatively high interest rate risk and relatively low credit risk.)

HCIGPSF seeks to provide returns corresponding to the total returns of the securities as represented by the CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028 before expenses, subject to tracking errors. However, there is no assurance that the investment objective of the Scheme will be achieved.

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For the year ended March 31, 2023 (Contd...)

HCIGPSF was launched on March 31, 2022 and the net assets of HCIGPSF amounted to INR 2154.59 crores as at March 31, 2023. Around 99.55% of the net assets were invested in Debt, 16.72% of the net assets were invested in reverse repos/TREPS and (-16.27%) in net current assets as at March 31, 2023.



HCIGPSF invests in the constituents of CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028 and aims to track the index performance and offer liquidity. HCIGPSF invests in 50:50 proportion of quality G-Sec and SDL papers and offers relatively low credit risk by investments in G-Sec and SDL. HCIGPSF follows a roll down strategy to take benefits of better yields. HCIGPSF focuses on 5-6 year point of the yield curve and the roll down strategy can result in capital gains over medium term once interest rate cycle peaks out. The mandate of the target maturity fund is to invest in line with the constituents in its benchmark index and replicate the underlying index minimizing the tracking error.

HCIGPSF has performed well as against its benchmark on the 1-year horizon as the fund was strategically running high cash position and was able to capture upward movement in yields in its favor.

| HSBC CRISIL IBX 50-50 Gilt Plus Apr 2028 Index Fund | | | Date of Inception : 31 March, 2022 | | | |
|--|---------------|----------------|------------------------------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 6 Months | | 1 Year | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC CRISIL IBX 50-50 Gilt Plus Apr 2028 Index Fund | 10,377 | 7.68 | 10,419 | 4.19 | 10,419 | 4.19 |
| Scheme Benchmark (CRISIL IBX 50:50 Gilt Plus SDL Index - April 2028) | 10,413 | 8.43 | 10,432 | 4.32 | 10,432 | 4.32 |
| Additional Benchmark (CRISIL 10 year Gilt Index) | 10,417 | 8.51 | 10,343 | 3.43 | 10,343 | 3.43 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option of Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---|--|--|
| HSBC CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index Fund |  <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Potential Risk Class (PRC) Matrix for Scheme:

| HSBC CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index Fund | | | |
|---|--------------------------|--------------------|---------------------------|
| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | | | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | All | | |
| A Scheme with Relatively High interest rate risk and Low credit risk. | | | |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DILs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DILs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DILs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp

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For the year ended March 31, 2023 (Contd...)

interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the

Trustees' Report

For the year ended March 31, 2023 (Contd...)

impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East),

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Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023: 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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for

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For the year ended March 31, 2023 (Contd...)

engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---|---|---|--|
| HSBC CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index Fund | Low to Moderate | Moderate | 1 |

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For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards

Independent Auditors' Report (Contd...)

specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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

Independent Auditors' Report (Contd...)

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) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQYJ6808

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 160,470.52 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (0.89) |
| 2.2 | Unrealised Appreciation Reserve | 33.99 |
| 2.3 | Other Reserves | 9,189.11 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 28,938.81 |
| | TOTAL | 173,397.11 |
| 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 | 210,770.68 |
| 1.5 | Treasury Bills | - |
| 1.6 | Commercial Paper/Certificate of Deposits | - |
| 1.8 | PTC | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| | Total Investments | 66,046.26 |
| 2 | Deposits | 51.23 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 695.70 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 36,010.20 |
| 3.3 | Others | 3,761.20 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 173,397.11 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current year ended March 31, 2023 | Previous period ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | - | - |
| 1.2 Interest | 13,168.99 | 79.86 |
| 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 | (2,866.02) | (0.26) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 4.01 | - |
| (A) | 10,306.98 | 79.60 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 320.43 | 0.63 |
| 2.2 GST/Service Tax on Management Fees | 57.68 | 0.11 |
| 2.3 Transfer Agents Fees and Expenses | 43.84 | 0.12 |
| 2.4 Custodian Fees | 0.01 | - |
| 2.5 Trusteeship Fees | 2.19 | - |
| 2.6 Commission to Agents | 158.52 | 0.47 |
| 2.7 Marketing & Distribution Expenses | 0.03 | - |
| 2.8 Audit Fees | 2.15 | 0.05 |
| 2.9 Investor Education Expenses | 22.27 | 0.09 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 2.14 | 0.10 |
| (B) | 609.26 | 1.57 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR | (C = A - B) | 9,697.72 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | (1,846.89) |
| 5 NET GAINS / (LOSSES) FOR THE YEAR | (E = C + D) | 7,850.83 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | (33.99) |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR | (G = E + F) | 7,816.84 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 33.99 | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | - | 33.99 |
| 7.3 Add/(Less) : Equalisation | 1,260.22 | - |
| 7.4 Transfer from Reserve Fund | 78.04 | - |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 9,189.09 | 78.03 |
| 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 | 9,189.09 | 78.03 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current year ended March 31, 2023 | Previous period ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 10.0070 | – |
| Regular Plan – IDCW Option | 10.0070 | – |
| Direct Plan – Growth Option | 10.0070 | – |
| Direct Plan – IDCW Option | 10.0070 | – |
| High | | |
| Regular Plan – Growth Option | 10.4193 | 10.0070 |
| Regular Plan – IDCW Option | 10.4193 | 10.0070 |
| Direct Plan – Growth Option | 10.4405 | 10.0070 |
| Direct Plan – IDCW Option | 10.4405 | 10.0070 |
| Low | | |
| Regular Plan – Growth Option | 9.7670 | 10.0070 |
| Regular Plan – IDCW Option | 9.7670 | 10.0070 |
| Direct Plan – Growth Option | 9.7692 | 10.0070 |
| Direct Plan – IDCW Option | 9.7692 | 10.0070 |
| End | | |
| Regular Plan – Growth Option | 10.4193 | 10.0070 |
| Regular Plan – IDCW Option | 10.4193 | 10.0070 |
| Direct Plan – Growth Option | 10.4405 | 10.0070 |
| Direct Plan – IDCW Option | 10.4405 | 10.0070 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 215,459 | 160,583 |
| Average (AAuM) ¹ | 181,396 | 160,583 |
| 3. Gross income as % of AAuM ^{2*} | | |
| | 5.68% | 18.09% # |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) * | | |
| Regular Plan | 0.43% | 0.42% # |
| Direct Plan | 0.23% | 0.22% # |
| b. Management Fee as % of AAuM (planwise)* | | |
| Regular Plan | 0.19% | 0.15% # |
| Direct Plan | 0.16% | 0.12% # |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current year ended March 31, 2023 | Previous period ended March 31, 2022 |
|---|---|--|
| 5. Net Income as a percentage of AAuM ³ * | 5.35% | 17.74% # |
| 6. Portfolio turnover ratio ⁴ | NA | NA |
| 7. Total Dividend per unit distributed during the year/Period (planwise) | | |
| Retail | | |
| Regular Plan – Growth Option | – | – |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – Growth Option | – | – |
| Direct Plan – IDCW Option | – | – |
| Corporate | | |
| Regular Plan – Growth Option | – | – |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – Growth Option | – | – |
| Direct Plan – IDCW Option | – | – |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan – Growth Option | 4.19% | NA < |
| Direct Plan – Growth Option | 4.41% | NA < |
| Benchmark | | |
| CRISIL IBX 50:50 Gilt Plus SDL Index - April 2028 | 4.32% | NA < |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan – Growth Option | 4.19% | NA < |
| Direct Plan – Growth Option | 4.41% | NA < |
| Benchmark | | |
| CRISIL IBX 50:50 Gilt Plus SDL Index - April 2028 | 4.32% | NA < |

NAV as on 31st March 2022 is computed NAV

< The first NAV was declared on 4th April 2022

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 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, 2023

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 for the period ended March 31, 2023 & March 31, 2022 is NIL.
- 1.3. Investments in Associates and Group Companies as on March 31, 2023 & March 31, 2022 is Nil.
- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the period ended March 31, 2023 & March 31, 2022 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 & March 31, 2022 is Nil.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year and percentages to net assets are as under:

| Security Category | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|------------------------------|--------------|--------------------------|--------------|--------------------------|
| | 2023 | | 2022 | |
| Government Securities | | | | |
| - Appreciation | 21,403,374 | ~0.00 | 3,418,277 | 0.02 |
| - Depreciation | 206,091,899 | 0.01 | 19,180 | ~0.00 |

~ 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 2022-23 (excluding accretion of discount) are Rs. 28,880,407,313.37 and Rs. 13,650,930,405.06 respectively being 159.21% and 75.25% of the average net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-22 (excluding accretion of discount) are Rs. 5,342,521,555 and Rs. Nil respectively being 12143.41% and 0% of the average 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. (Previous year Nil)

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

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | 284.68 | 14.32 | 13,825,228 | 95.18 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 1,066.23 | 66.44 | – | – |

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

- None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2023.
- Unit Capital movement during the period ended March 31, 2023 & March 31, 2022:

| Description | 2022-2023 | | | | Face Value per unit (Rupees) |
|-------------------------------|-------------------|-------------------|-----------------|-------------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Growth Option | 1,068,764,674.908 | 407,328,410.721 | 531,467,129.329 | 944,625,956.300 | 10 |
| Regular IDCW Option | 6,467,173.632 | 2,232,189.920 | 3,541,004.046 | 5,158,359.506 | 10 |
| Direct Plan - Growth Option** | 529,455,174.972 | 1,553,069,452.505 | 900,823,499.642 | 1,181,701,127.835 | 10 |
| Direct Plan - IDCW Option | 18,200.090 | 116,185.274 | – | 134,385.364 | 10 |

| Description | 2021-2022 | | | | Face Value per unit (Rupees) |
|-------------------------------|---------------|-------------------|------------|-------------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Growth Option | – | 1,068,764,674.908 | – | 1,068,764,674.908 | 10 |
| Regular IDCW Option | – | 6,467,173.632 | – | 6,467,173.632 | 10 |
| Direct Plan - Growth Option** | – | 529,455,174.972 | – | 529,455,174.972 | 10 |
| Direct Plan - IDCW Option | – | 18,200.090 | – | 18,200.090 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 499,975.001 & as on March 31, 2022 is 499,975.001

- Previous year figures have been re-grouped/re-arranged where necessary.
- No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- Other income of Rs. 401,016/- represents Exit load credited to the scheme. (2022: Rs. Nil).

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

9 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAI.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 11 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

12 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---|---|---|--|
| HSBC CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index Fund | Moderate | Low to Moderate | 1 |

- 13 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07, 2021, The details of Potential Risk Class matrix of schemes are given in below

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

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

- 14 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 15 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC 2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC CRISIL IBX Gilt June 2027 Index Fund

An open-ended Target Maturity Index Fund tracking CRISIL-IBX Gilt Index - June 2027. Relatively high interest rate risk and relatively low credit risk.

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

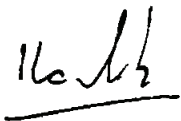
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Debt Schemes

HSBC CRISIL IBX Gilt June 2027 Index Fund (HCIGIF)

(Index Fund - An open-ended Target Maturity Index Fund tracking CRISIL-IBX Gilt Index - June 2027. Relatively high interest rate risk and relatively low credit risk.)

The investment objective of the Scheme is to provide returns corresponding to the total returns of the securities as represented by the CRISIL-IBX Gilt Index - June 2027 before expenses, subject to tracking errors. However, there is no assurance that the investment objective of the Scheme will be achieved.

Trustees' Report


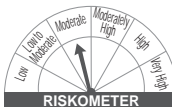
For the year ended March 31, 2023 (Contd...)

HCIGIF was launched on March 23, 2023 and the net assets of HCIGIF amounted to INR 243.27 crores as at March 31, 2023. Around 97.18% of the net assets were invested in Debt, 15.88% of the net assets were invested in reverse repos/TREPS and (-13.06%) in net current assets as at March 31, 2023.

HSBC CRISIL IBX Gilt June 2027 Index Fund (HGIF - Target Maturity Index Fund) replicates CRISIL-IBX Gilt Index - June 2027. HCIGIF aims to track the index performance and offer liquidity and invests in sovereign G-Sec papers, as per the index. HCIGIF focuses on 4-5 year point of the yield curve which offers adequate carry and a roll down strategy to take benefits of better yields. The fund manager believes that the attractive yield for 4.5 year and the roll down strategy could lead to lower volatility over medium term holding period versus longer duration bonds. HCIGIF offers relatively low credit risk by investments in G-Sec and the mandate is to invest in line with the index construction.

Performance data of the scheme has not been provided for the schemes which have not completed one year as on March 31, 2023 since inception.

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--|--|---|
| HSBC CRISIL IBX Gilt June 2027 Index Fund |  <p>RISKOMETER</p> <p>Investors understand that their principal will be at Moderate risk</p> | <p>Benchmark Index: CRISIL-IBX Gilt Index - June 2027</p>  <p>RISKOMETER</p> |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Potential Risk Class (PRC) Matrix for Scheme:

| HSBC CRISIL IBX Gilt June 2027 Index Fund | | | |
|---|--------------------------|--------------------|---------------------------|
| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | | | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | All | | |
| A Scheme with Relatively High interest rate risk and Low credit risk. | | | |

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DILs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DILs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DILs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most of the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to

Trustees' Report

For the year ended March 31, 2023 (Contd...)

monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 Scheme-wise as on March 31, 2023: 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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 1 | 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 | 3 | 3 | 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisors/hoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

Trustees' Report

For the year ended March 31, 2023 (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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---|---|---|--|
| HSBC CRISIL IBX Gilt June 2027 Index Fund | NA | Moderate | 0 |

NA - Scheme not in existence. Scheme launched during the financial year 2022-23. Risk-o-meter at the time of Scheme launch is provided.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Scheme launched during the current financial year

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC CRISIL IBX Gilt June 2027 Index Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC CRISIL IBX Gilt June 2027 Index Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the period ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the period ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations, and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of

Independent Auditors' Report (Contd...)

adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account, and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQZH6255

Place : Mumbai

Date : July 11, 2023.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | | As at March 31, 2023 # |
|--------------------------|---|---------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 27,563.51 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 4.79 |
| 2.2 | Unrealised Appreciation Reserve | 21.62 |
| 2.3 | Other Reserves | 64.83 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 1,037.98 |
| TOTAL | | 28,692.73 |
| 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 | 23,178.33 |
| 1.5 | Treasury Bills | - |
| 1.6 | Commercial Paper/Certificate of Deposits | - |
| 1.8 | PTC | - |
| 1.9 | Units of Domestic Mutual Fund | - |
| 1.10 | Foreign Securities | - |
| Total Investments | | 23,178.33 |
| 2 | Deposits | 230.52 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 957.23 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 3,862.36 |
| 3.3 | Others | 464.29 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| TOTAL | | 28,692.73 |

Scheme launched during the current financial year

Notes to Accounts - Annexure I

Abridged Revenue Account for the period ended March 31, 2023

Rs. in Lakhs

| | Current period ended March 31, 2023 # |
|--|--|
| 1 INCOME | |
| 1.1 Dividend | - |
| 1.2 Interest | 56.04 |
| 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 | (1.13) |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - |
| 1.7 Other Income | - |
| | (A) 54.91 |
| 2 EXPENSES | |
| 2.1 Management Fees | 0.43 |
| 2.2 GST on Management Fees | 0.08 |
| 2.3 Transfer Agents Fees and Expenses | 0.14 |
| 2.4 Custodian Fees | - |
| 2.5 Trusteeship Fees | - |
| 2.6 Commission to Agents | 1.18 |
| 2.7 Marketing & Distribution Expenses | - |
| 2.8 Audit Fees | 0.27 |
| 2.9 Investor Education Expenses | 0.06 |
| 2.10 Interest on Borrowing | - |
| 2.11 Other Operating Expenses | 0.07 |
| | (B) 2.23 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) 52.68 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) 52.68 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) 21.62 |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) 74.30 |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | - |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | 21.62 |
| 7.3 Add/(Less) : Equalisation | 12.15 |
| 7.4 Transfer from Reserve Fund | - |
| 7.5 Transfer from Unit Premium Reserve | - |
| 8 Total | 64.83 |
| 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 | 64.83 |

Scheme launched during the current financial year

Notes to Accounts - Annexure I

Key Statistics for the period ended March 31, 2023

| | Current period ended March 31, 2023 # |
|---|---|
| 1. NAV per unit (Rs.): | |
| Open | |
| Regular Plan - Growth Option | — |
| Regular Plan - IDCW Option | — |
| Direct Plan - Growth Option | — |
| Direct Plan - IDCW Option | — |
| High | |
| Regular Plan - Growth Option | 10.0330 |
| Regular Plan - IDCW Option | 10.0331 |
| Direct Plan - Growth Option | 10.0337 |
| Direct Plan - IDCW Option | 10.0337 |
| Low | |
| Regular Plan - Growth Option | 10.0197 |
| Regular Plan - IDCW Option | 10.0198 |
| Direct Plan - Growth Option | 10.0202 |
| Direct Plan - IDCW Option | 10.0202 |
| End | |
| Regular Plan - Growth Option | 10.0330 |
| Regular Plan - IDCW Option | 10.0331 |
| Direct Plan - Growth Option | 10.0337 |
| Direct Plan - IDCW Option | 10.0337 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | |
| End | 24,327 |
| Average (AAuM) ¹ | 20,297 |
| 3. Gross income as % of AAuM ² | |
| | 0.27% |
| 4. Expense Ratio: | |
| a. Total Expense as % of AAuM (Including GST on Management fees) (plan wise) | |
| Regular Plan | 0.44% |
| Direct Plan | 0.16% |
| b. Management Fee as % of AAuM (plan wise) | |
| Regular Plan | 0.08% |
| Direct Plan | 0.05% |

Key Statistics for the period ended March 31, 2023 (Contd...)

| | Current period ended March 31, 2023 # |
|--|---|
| 5. Net Income as a percentage of AAuM ³ | 0.23% |
| 6. Portfolio turnover ratio ⁴ | NA |
| 7. Total Dividend per unit distributed during the year (plan wise) | |
| Retail | |
| Regular Plan - IDCW Option | - |
| Direct Plan - IDCW Option | - |
| Corporate | |
| Regular Plan - IDCW Option | - |
| Direct Plan - IDCW Option | - |
| 8. Returns (%): | |
| a. Last One Year | |
| Scheme | |
| Regular Plan - Growth Option | NA |
| Direct Plan - Growth Option | NA |
| Benchmark | |
| HSBC CRISIL IBX Gilt Index - June 2027 | NA |
| b. Since Inception | |
| Scheme | |
| Regular Plan - Growth Option | 0.33% ## |
| Direct Plan - Growth Option | 0.34% ## |
| Benchmark | |
| HSBC CRISIL IBX Gilt Index - June 2027 | 0.24% ## |

Scheme launched during the current financial year

Annualised

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 period ended March 31, 2023

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 on year ended March 31, 2023 is NIL.
- 1.3.Investments in Associates and Group Companies as on March 31, 2023 is Nil.
- 1.4.Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 is NIL.
- 1.5.Investment in Below investment grade and default/Securities in default as on March 31, 2023 is 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 |
|------------------------------|--------------|--------------------------|
| | 2023 | |
| Government Securities | | |
| - Appreciation | 2,162,406 | 0.09 |
| - Depreciation | - | - |

- 1.7.The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-23 (excluding accretion of discount) is Rs. 3,026,327,810 and Rs. 667,196,080 respectively being 5396.26% and 1189.68% of the average net assets.
- 1.8.Non-Traded securities in the portfolio of the scheme as on the year ended March 31, 2023 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 2022-23, 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 | 2022-2023 | 203.66 | 73.02 | - | - |

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

- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2023.
- 4 Unit Capital movement during the year ended March 31, 2023.

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

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2023

| Description | 2022-2023 | | | | |
|--------------------------------|---------------|-----------------|---------------|-----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | - | 240,969,736.707 | 50,001.689 | 240,919,735.018 | 10 |
| Regular Plan - IDCW Option | - | 4,162,530.314 | 2,999,850.007 | 1,162,680.307 | 10 |
| Direct Plan - Growth Option ** | - | 33,571,245.014 | 31,598.420 | 33,539,646.594 | 10 |
| Direct Plan - IDCW Option | - | 13,008.350 | - | 13,008.350 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is Nil.

- 5 No contingent liabilities for the year ended March 31, 2023.
- 6 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 7 Other Income Rs. Nil.

8 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023.

Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAI.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 9 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 10 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.

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

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2023

- 11 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 12 # Scheme launched during current year.
- 13 **Disclosure of Risk-O-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---|---|---|--|
| HSBC CRISIL IBX Gilt June 2027 Index Fund | Moderate | NA | 0 |

- 14 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, The details of Potential Risk Class matrix of schemes are given in below:

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

- 15 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



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 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

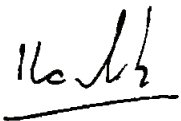
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Fund of Funds 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

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For the year ended March 31, 2023 (Contd...)



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 INR 19.60 crores as at March 31, 2023 as against INR 15.10 crores as at March 31, 2022. Around 92.08% of the net assets were invested in Mutual Fund units, 8.86% of the net assets were invested in reverse repos/TREPS, (-0.94%) in net current assets as at March 31, 2023.

| HSBC Global Emerging Markets Fund | | | | | Date of Inception : 17 March, 2008 | | | |
|--|---------------|----------------|---------------|----------------|------------------------------------|----------------|-----------------|----------------|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Global Emerging Markets Fund | 8,884 | -11.16 | 12,839 | 8.69 | 11,374 | 2.60 | 16,469 | 3.37 |
| Scheme Benchmark (MSCI Emerging Markets Index TRI) | 9,660 | -3.40 | 13,659 | 10.95 | 12,136 | 3.94 | 27,437 | 6.94 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 46,096 | 10.69 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-----------------------------------|---|---|
| HSBC Global Emerging Markets Fund |  <p>RISKOMETER</p> <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index : MSCI Emerging Market Index TRI</p>  <p>RISKOMETER</p> |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth

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For the year ended March 31, 2023 (Contd...)

in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

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For the year ended March 31, 2023 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds

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For the year ended March 31, 2023 (Contd...)

tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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).

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For the year ended March 31, 2023 (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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|-----------------------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Global Emerging Markets Fund | 64 | 149,109.18 | 44 | 1,067,617.69 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |

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| 2022-2023 | | | | | | | | | | | | | |
|-----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-------------------|--------------|--------------|--------------|---------------|----------|
| Com-plaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorskhoy on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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For the year ended March 31, 2023 (Contd...)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|-----------------------------------|---|---|--|
| HSBC Global Emerging Markets Fund | Very High | Very High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

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For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code / Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|---|---|
| | | | of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name/Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

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 accompanying financial statements of **HSBC Global Emerging Markets Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making

Independent Auditors' Report (Contd...)

judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQYX6906

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 811.18 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (270.41) |
| 2.2 | Unrealised Appreciation Reserve | 351.71 |
| 2.3 | Other Reserves | 617.81 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 17.86 |
| | TOTAL | 1,996.38 |
| 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 | 1,505.52 |
| | Total Investments | 1,804.34 |
| 2 | Deposits | 1.00 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 0.10 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 12.41 |
| 3.3 | Others | 9.12 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 1,996.38 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1 INCOME | | |
| 1.1 Dividend | 18.13 | 10.04 |
| 1.2 Interest | 3.33 | 1.93 |
| 1.3 Realised Gain/(Loss) on Foreign Exchange Transactions | (1.23) | 31.75 |
| 1.4 Realised Gains/(Losses) on Interscheme Sale of Investments | - | - |
| 1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments | 29.10 | 39.63 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 Other Income | 0.33 | 1.84 |
| (A) | 49.66 | 85.19 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 9.77 | 10.70 |
| 2.2 GST/Service Tax on Management Fees | 1.76 | 1.93 |
| 2.3 Transfer Agents Fees and Expenses | 0.57 | 0.71 |
| 2.4 Custodian Fees | 0.47 | 1.71 |
| 2.5 Trusteeship Fees | 0.05 | 0.08 |
| 2.6 Commission to Agents | 6.13 | 6.23 |
| 2.7 Marketing & Distribution Expenses | 0.06 | 0.02 |
| 2.8 Audit Fees | 0.02 | 0.20 |
| 2.9 Investor Education Expenses | 0.29 | 0.34 |
| 2.10 Interest on Borrowing | - | - |
| 2.11 Other Operating Expenses | 0.70 | 1.01 |
| (B) | 19.82 | 22.93 |
| 3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 29.84 | 62.24 |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | - |
| 5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 29.84 | 62.24 |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | (172.30) |
| 7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | (171.38) | (110.06) |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | 201.22 | 172.30 |
| 7.3 Add/(Less) : Equalisation | 563.82 | (33.06) |
| 7.4 Transfer from Reserve Fund | 617.81 | 603.31 |
| 7.5 Transfer from Unit Premium Reserve | - | - |
| 8 Total | 1,211.47 | 632.49 |
| 9 Dividend Appropriation | | |
| 9.1 Income Distributed during the Year | - | (14.66) |
| 9.2 Tax on Income Distributed during the Year | - | - |
| 10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 1,211.47 | 617.81 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 18.5382 | 19.9645 |
| Regular Plan – IDCW Option | 16.4772 | 19.1009 |
| Direct Plan – Growth Option | 19.8147 | 21.1886 |
| Direct Plan – IDCW Option | 17.5948 | 20.2737 |
| High | | |
| Regular Plan – Growth Option | 18.6940 | 20.9550 |
| Regular Plan – IDCW Option | 16.6157 | 20.0485 |
| Direct Plan – Growth Option | 19.9828 | 22.2768 |
| Direct Plan – IDCW Option | 17.7439 | 21.3142 |
| Low | | |
| Regular Plan – Growth Option | 14.5586 | 16.9883 |
| Regular Plan – IDCW Option | 12.9401 | 16.2534 |
| Direct Plan – Growth Option | 15.6254 | 18.1522 |
| Direct Plan – IDCW Option | 13.8724 | 17.3646 |
| End | | |
| Regular Plan – Growth Option | 16.4689 | 18.5382 |
| Regular Plan – IDCW Option | 14.6380 | 16.4772 |
| Direct Plan – Growth Option | 17.7272 | 19.8147 |
| Direct Plan – IDCW Option | 15.7379 | 17.5948 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 1,960 | 1,510 |
| Average (AAuM) ¹ | 1,432 | 1,714 |
| 3. Gross income as % of AAuM ² | | |
| | 3.47% | 4.97% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) | | |
| Regular Plan | 1.55% | 1.56% |
| Direct Plan | 0.85% | 0.85% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 0.71% | 0.67% |
| Direct Plan | 0.58% | 0.52% |
| 5. Net Income as a percentage of AAuM ³ | | |
| | 2.08% | 3.63% |
| 6. Portfolio turnover ratio ⁴ | | |
| | 0.18 | 0.05 |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Retail | | |
| Regular Plan – IDCW Option | – | 1.25 |
| Direct Plan – IDCW Option | – | 1.35 |

Key Statistics For the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|---------------------------------|---|--|
| Corporate | | |
| Regular Plan – IDCW Option | – | 1.25 |
| Direct Plan – IDCW Option | – | 1.35 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan – Growth Option | (11.16)% | (7.14)% |
| Direct Plan – Growth Option | (10.54)% | (6.48)% |
| Benchmark | | |
| MSCI Emerging Markets Index TRI | (3.40)% | (8.03)% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan – Growth Option | 3.37% | 4.49% |
| Direct Plan – Growth Option | 4.49% | 6.26% |
| Benchmark | | |
| MSCI Emerging Markets Index TRI | 6.94% | 7.71% |

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 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 |
|-----------------------------------|--------------------------------|--------------------------|----------------------|---------------------------------|
| 2022-23 | | | | |
| HSBC Global Emerging Markets Fund | 0.85% | 1.44% | 2.29% | 2.30% |
| 2021-22 | | | | |
| HSBC Global Emerging Markets Fund | 0.85% | 1.34% | 2.19% | 2.30% |

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year end and their percentages to net assets are as under:

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|---------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Foreign Securities | | | | |
| – Appreciation | 15,048,510 | 7.68 | 35,170,768 | 23.29 |
| – Depreciation | – | – | – | – |

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 890,854 and 329,500 respectively being 0.62% and 0.23% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 8,573,751 and 24,050,336 respectively being 5.00% and 14.03% of the average net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2023 and March 31, 2022 are NIL.

2 Disclosure Under Regulation 25(8) of the Securities And Exchange Board Of India (Mutual Funds) Regulations, 1996 As Amended.

During the year 2022-23, 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 2021-22, 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.

Notes to Accounts – Annexure I (Contd..)

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 | Group Company | 2022-2023 | 0.00 | 0.01 | 38,659 | 7.49 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 0.02 | 0.44 | 49,476 | 8.97 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is 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, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 4,533,320.850 | 4,397,300.372 | 588,352.198 | 8,342,269.024 | 10 |
| Regular Plan - IDCW Option | 1,141,056.219 | 48,687.974 | 86,230.638 | 1,103,513.555 | 10 |
| Direct Plan - Growth Option ** | 2,388,530.450 | 1,519,293.073 | 1,552,696.334 | 2,355,127.189 | 10 |
| Direct Plan - IDCW Option | 48,881.283 | 13,093.004 | 4,457.767 | 57,516.520 | 10 |

| Description | 2021-2022 | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 4,815,313.354 | 1,177,818.981 | 1,459,811.485 | 4,533,320.850 | 10 |
| Regular Plan - IDCW Option | 1,336,486.922 | 68,326.753 | 263,757.456 | 1,141,056.219 | 10 |
| Direct Plan - Growth Option ** | 2,869,876.176 | 601,806.136 | 1,083,151.862 | 2,388,530.450 | 10 |
| Direct Plan - IDCW Option | 43,343.360 | 48,108.144 | 42,570.221 | 48,881.283 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 113,484.384 & as on March 31, 2022 is 113,484.384

- 5 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 6 Expenses other than Management Fees and Audit 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, 2023

- 7 Other income of Rs. 33,157/- Exit load credited to the scheme (2022: Rs. 260,353/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT.)

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure are presented for surviving scheme only.

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|-----------------------------------|---|---|--|
| HSBC Global Emerging Markets Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

- and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Brazil Fund

An open ended fund of fund Scheme investing in HSBC Global Investments Fund - Brazil Equity Fund

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

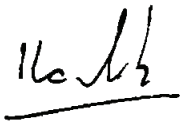
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details..

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

a. Operations and Performance of the Scheme

➤ Fund of Funds 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)



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 INR 33.40 crores as at March 31, 2023 as against INR 34.75 crores as at March 31, 2022. Around 96.17% of the net assets were invested in Mutual Fund units, 4.34% of the net assets were invested in reverse repos/TREPS, (-0.51%) in net current assets as at March 31, 2023.

| HSBC Brazil Fund | | Date of Inception : 6 March, 2011 | | | | | | | |
|--|---------------|-----------------------------------|---------------|----------------|---------------|----------------|-----------------|----------------|--|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | |
| HSBC Brazil Fund | 8,126 | -18.75 | 11,516 | 4.82 | 7,595 | -5.34 | 6,154 | -3.99 | |
| Scheme Benchmark (MSCI Brazil 10/40 Index TRI) | 8,512 | -14.88 | 14,717 | 13.75 | 10,329 | 0.65 | 12,203 | 1.69 | |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 36,197 | 11.41 | |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|------------------|--|---|
| HSBC Brazil Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: MSCI Brazil 10/40 Index TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

Trustees' Report

For the year ended March 31, 2023 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely

Trustees' Report

For the year ended March 31, 2023 (Contd...)

rate cutting cycle and a gradually more accommodative RBI stance.

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|------------------|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Brazil Fund | – | – | 19 | 49,291.96 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|------------------|---|---|--|
| HSBC Brazil Fund | Very High | Very High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|---|---|
| | | | of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

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 accompanying financial statements of **HSBC Brazil Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of

Independent Auditors' Report (Contd...)

the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQYV1532

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 4,392.62 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | 931.42 |
| 2.2 | Unrealised Appreciation Reserve | - |
| 2.3 | Other Reserves | (1,857.87) |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 119.88 |
| | TOTAL | 3,362.28 |
| 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 | - |
| 1.1.5 | 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 | 3,486.92 |
| | Total Investments | 3,211.79 |
| 2 | Deposits | 1.00 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 0.75 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 24.05 |
| 3.3 | Others | 73.33 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 3,362.28 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------|--|---|--|
| 1 | INCOME | | |
| 1.1 | Dividend | 142.81 | 23.75 |
| 1.2 | Interest | 5.40 | 4.32 |
| 1.3 | Realised Gain/(Loss) on Foreign Exchange Transactions | 0.89 | (13.91) |
| 1.4 | Realised Gains/(Losses) on Interscheme Sale of Investments | - | - |
| 1.5 | Realised Gains/(Losses) on External Sale/Redemption of Investments | (25.14) | (0.03) |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 | Other Income | 2.91 | 5.03 |
| | (A) | 126.87 | 19.16 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | 19.82 | 14.91 |
| 2.2 | GST/Service Tax on Management Fees | 3.57 | 2.68 |
| 2.3 | Transfer Agents Fees and Expenses | 1.23 | 1.10 |
| 2.4 | Custodian Fees | 0.52 | 2.04 |
| 2.5 | Trusteeship Fees | 0.12 | 0.11 |
| 2.6 | Commission to Agents | 6.16 | 5.85 |
| 2.7 | Marketing & Distribution Expenses | 0.13 | 0.01 |
| 2.8 | Audit Fees | 0.04 | 0.20 |
| 2.9 | Investor Education Expenses | 0.60 | 0.49 |
| 2.10 | Interest on Borrowing | - | - |
| 2.11 | Other Operating Expenses | 1.40 | 1.39 |
| | (B) | 33.59 | 28.78 |
| 3 | NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) | 93.28 |
| 4 | Change in Unrealised Depreciation in Value of Investments | (D) | (696.20) |
| 5 | NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) | (602.92) |
| 6 | Change in Unrealised Appreciation in Value of Investments | (F) | - |
| 7 | NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) | (602.92) |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | - | - |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 | Add/(Less) : Equalisation | (257.57) | (1,258.73) |
| 7.4 | Transfer from Reserve Fund | (1,857.87) | (1,056.89) |
| 7.5 | Transfer from Unit Premium Reserve | - | - |
| 8 | Total | (2,718.36) | (1,857.86) |
| 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 | (2,718.36) | (1,857.87) |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 7.5743 | 6.7781 |
| Regular Plan – IDCW Option | 7.5743 | 6.7781 |
| Direct Plan – Growth Option | 8.1121 | 7.2034 |
| Direct Plan – IDCW Option | 8.1059 | 7.1989 |
| High | | |
| Regular Plan – Growth Option | 7.8154 | 8.4601 |
| Regular Plan – IDCW Option | 7.8154 | 8.4601 |
| Direct Plan – Growth Option | 8.3711 | 9.0075 |
| Direct Plan – IDCW Option | 8.3646 | 9.0016 |
| Low | | |
| Regular Plan – Growth Option | 5.5468 | 5.3889 |
| Regular Plan – IDCW Option | 5.5468 | 5.3889 |
| Direct Plan – Growth Option | 5.9535 | 5.7617 |
| Direct Plan – IDCW Option | 5.9487 | 5.7575 |
| End | | |
| Regular Plan – Growth Option | 6.1545 | 7.5743 |
| Regular Plan – IDCW Option | 6.1545 | 7.5743 |
| Direct Plan – Growth Option | 6.6417 | 8.1121 |
| Direct Plan – IDCW Option | 6.6360 | 8.1059 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 3,340 | 3,475 |
| Average (AAuM) ¹ | 3,005 | 2,474 |
| 3. Gross income as % of AAuM ² | 4.22% | 0.77% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) | | |
| Regular Plan | 1.58% | 1.59% |
| Direct Plan | 0.82% | 0.81% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 0.78% | 0.70% |
| Direct Plan | 0.58% | 0.52% |
| 5. Net Income as a percentage of AAuM ³ | 3.10% | -0.39% |
| 6. Portfolio turnover ratio ⁴ | 0.09 | 0.05 |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Retail | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | – | – |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|------------------------------|---|--|
| Corporate | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | – | – |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan – Growth Option | (18.75)% | 11.75% |
| Direct Plan – Growth Option | (18.13)% | 12.61% |
| Benchmark | | |
| MSCI Brazil 10/40 Index TRI | (14.88)% | 24.56% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan – Growth Option | (3.99)% | (2.51)% |
| Direct Plan – Growth Option | (3.94)% | (2.26)% |
| Benchmark | | |
| MSCI Brazil 10/40 Index TRI | 1.69% | 3.36% |

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 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 |
|------------------|--------------------------------|--------------------------|----------------------|---------------------------------|
| 2022-23 | | | | |
| HSBC Brazil Fund | 0.85% | 1.44% | 2.29% | 2.30% |
| 2021-22 | | | | |
| HSBC Brazil Fund | 0.85% | 1.17% | 2.02% | 2.30% |

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year end and their percentages to net assets are as under:

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|---------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Foreign Securities | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | 71,067,877 | 21.28 | 1,447,690 | 0.42 |

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 885,013 and Rs. 355,000 respectively being 0.29% and 0.12% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 138,149,536 and Rs. 11,728,070 respectively being 55.84% and 4.74% of the average net assets.

- 1.8. Non -Traded securities in the portfolios as at March 31, 2023 and March 31, 2022 are NIL.

2 Disclosure Under Regulation 25(8) of the Securities And Exchange Board Of India (Mutual Funds) Regulations, 1996 As Amended.

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | ~0.00 | 0.01 | 181,575 | 37.45 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | ~0.00 | 0.01 | 216,563 | 42.01 |

~ Indicates less than 0.01

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL.
(Previous year also NIL)

- None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2023 and March 31, 2022.
- Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-2023 | | | | |
|--------------------------------|----------------|----------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 15,208,886.177 | 3,165,524.435 | 2,469,165.794 | 15,905,244.818 | 10 |
| Regular Plan - IDCW Option | 2,868,526.525 | 107,192.624 | 202,404.032 | 2,773,315.117 | 10 |
| Direct Plan - Growth Option ** | 25,465,160.120 | 12,872,354.865 | 5,606,217.886 | 32,731,297.099 | 10 |
| Direct Plan - IDCW Option | 383,606.190 | 46,182.182 | 132,997.941 | 296,790.431 | 10 |

| Description | 2021-2022 | | | | |
|--------------------------------|----------------|----------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 12,724,192.184 | 6,572,074.391 | 4,087,380.398 | 15,208,886.177 | 10 |
| Regular Plan - IDCW Option | 2,712,121.927 | 390,569.929 | 234,165.331 | 2,868,526.525 | 10 |
| Direct Plan - Growth Option ** | 10,241,468.411 | 23,095,003.517 | 7,871,311.808 | 25,465,160.120 | 10 |
| Direct Plan - IDCW Option | 352,380.802 | 246,353.528 | 215,128.140 | 383,606.190 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 701,095.111 & as on March 31, 2022 is 701,095.111.

- No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- Other income of Rs. 290,615/- represents Exit load credited to the scheme. (2022: Rs. 503,147/- represents Exit load credited to the scheme)

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|------------------|---|---|--|
| HSBC Brazil Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



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 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "**MF Regulations**"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Fund of Funds 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)

The Scheme has three plans – Conservative Plan, Growth Plan and the Moderate Plan.

HMS – Conservative Plan seeks to provide long term total return aimed at providing income through an active asset allocation with diversification commensurate with the risk profile of investments by investing in

Trustees' Report

For the year ended March 31, 2023 (Contd...)

a basket of debt, equity, gold ETFs and other ETFs and money market instruments

HMS – Growth Plan 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 in a basket of debt, equity, gold exchange traded funds (ETFs) and other ETFs, units of off shore mutual funds and money market instruments.

HMS – Moderate Plan seeks to provide long term total return aimed at capital appreciation and providing income through an active asset allocation with diversification commensurate with the risk profile of investments by investing in a basket of debt, equity, gold ETFs and other ETFs, units of off shore mutual funds and money market instruments.

The net assets of HMS – Conservative Plan amounted to INR 34.43 crores as at March 31, 2023 as against INR 40.32 crores as at March 31, 2022. Around 99.35% of the net assets were invested in Mutual Fund units, 0.81% of the net assets were invested in reverse repos/TREPS, (-0.16%) in net current assets as at March 31, 2023.

The net assets of HMS – Growth Plan amounted to INR 56.88 crores as at March 31, 2023 as against INR 69.33 crores as at March 31, 2022. Around 100.02% of the net assets were invested in Mutual Fund units, 0.57% of the net assets were invested in reverse repos/TREPS, (-0.59%) in net current assets as at March 31, 2023.

The net assets of HMS – Moderate Plan amounted to INR 34.898 crores as at March 31, 2023 as against INR 39.86 crores as at March 31, 2022. Around 99.49% of the net assets were invested in Mutual Fund units, 0.98% of the net assets were invested in reverse repos/TREPS, (-0.47%) in net current assets as at March 31, 2023.

The underperformance has been largely driven by underperformance of underlying equity funds (HSBC Large Cap and HSBC Small Cap) compared to BSE 200 Index. Underperformance of underlying Fixed Income Fund (HSBC Debt Fund and HSBC Flexi Debt Fund) has also contributed particularly to the Conservative Plan.

| HSBC Managed Solutions India – Conservative | | | | Date of Inception : 30 April, 2014 | | | | |
|--|---------------|----------------|---------------|------------------------------------|---------------|----------------|-----------------|----------------|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Managed Solutions India – Conservative | 10,251 | 2.51 | 11,775 | 5.60 | 12,915 | 5.24 | 17,941 | 6.77 |
| Scheme Benchmark (A composite index with 10% weight to S&P BSE 200 and 90% weight to CRISIL Composite Bond Index) | 10,290 | 2.90 | 12,819 | 8.63 | 14,653 | 7.92 | 21,624 | 9.03 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 28,941 | 12.65 |
| Additional Benchmark (CRISIL 10 Year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 18,185 | 6.93 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

| HSBC Managed Solutions India – Growth | | | | Date of Inception : 30 April, 2014 | | | | |
|--|---------------|----------------|---------------|------------------------------------|---------------|----------------|-----------------|----------------|
| Fund/Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Managed Solutions India – Growth | 9,996 | -0.04 | 18,690 | 23.18 | 15,468 | 9.09 | 26,635 | 11.60 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)




| HSBC Managed Solutions India – Growth | | | | | Date of Inception : 30 April, 2014 | | | |
|--|---------------|----------------|---------------|----------------|------------------------------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| Scheme Benchmark (A composite index with 80% weight to S&P BSE 200 and 20% weight to CRISIL Composite Bond Index) | 9,982 | -0.18 | 19,616 | 25.18 | 17,298 | 11.56 | 29,339 | 12.82 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 28,941 | 12.65 |
| Additional Benchmark (CRISIL 10 Year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 18,185 | 6.93 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

| HSBC Managed Solutions India – Moderate | | | | | Date of Inception : 30 April, 2014 | | | |
|--|---------------|----------------|---------------|----------------|------------------------------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Managed Solutions India – Moderate | 10,041 | 0.41 | 16,899 | 19.11 | 14,948 | 8.35 | 24,466 | 10.55 |
| Scheme Benchmark (CRISIL Hybrid 35+65 - Aggressive Fund Index) | 10,114 | 1.14 | 17,462 | 20.42 | 16,795 | 10.90 | 27,547 | 12.03 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 28,941 | 12.65 |
| Additional Benchmark (CRISIL 10 Year Gilt Index) | 10,343 | 3.43 | 10,831 | 2.70 | 13,270 | 5.81 | 18,185 | 6.93 |





Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---------------------------------------|--|---|
| HSBC Managed Solutions India – Growth |  <p>Investors understand that their principal will be at Very High risk</p> | Benchmark Index : S&P BSE 200 Index |
| | |  |
| | | Benchmark Index : CRISIL Composite Bond Fund Index |
| | |  |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--|--|---|
| HSBC Managed Solutions India – Moderate |  <p>Investors understand that their principal will be at High risk</p> | Benchmark Index : CRISIL Hybrid 35+65 - Aggressive Index  |
| HSBC Managed Solutions India – Conservative |  <p>Investors understand that their principal will be at Moderately High risk</p> | Benchmark Index : S&P BSE 200 Index  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2022. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclical like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor

Trustees' Report

For the year ended March 31, 2023 (Contd...)

(USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

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For the year ended March 31, 2023 (Contd...)

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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

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For the year ended March 31, 2023 (Contd...)

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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Managed Solutions India - Moderate | – | – | 1 | 3,963.25 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

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For the year ended March 31, 2023 (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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by AdvisorKhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.in and shall be available for

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---|---|---|--|
| HSBC Managed Solutions India - Conservative | Moderate | Moderately High | 1 |
| HSBC Managed Solutions India - Growth | Very High | Very High | 0 |
| HSBC Managed Solutions India - Moderate | High | High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code /Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| | | | with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

Trustees' Report

For the year ended March 31, 2023 (Contd...)

15. 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/-

Trustee

Mumbai

July 11, 2023

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board Trustees of HSBC Mutual Fund

HSBC Managed Solutions India - Growth

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Managed Solutions India - Growth** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of

Independent Auditors' Report (Contd...)

adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQYZ6687

Place : Mumbai

Date : July 11, 2023

Independent Auditors' Report

To the Board Trustees of HSBC Mutual Fund

HSBC Managed Solutions India - Moderate

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Managed Solutions India - Moderate** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making

Independent Auditors' Report (Contd...)

judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQZA7701

Place : Mumbai

Date : July 11, 2023

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 accompanying financial statements of **HSBC Managed Solution India - Conservative** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of

Independent Auditors' Report (Contd...)

adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQYY3878

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| HSBC MANAGED SOLUTIONS INDIA – GROWTH | | |
|--|---|-------------------------|
| | As at March 31, 2023 | As at March 31, 2022 |
| LIABILITIES | | |
| 1 | Unit Capital | 1,308.49 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (1,376.46) |
| 2.2 | Unrealised Appreciation Reserve | (1,360.68) |
| 2.3 | Other Reserves | 1,093.69 |
| 3 | Loans & Borrowings | 2,464.14 |
| 4 | Current Liabilities & Provisions | – |
| 4.1 | Provision for Doubtful Income/Deposits | – |
| 4.2 | Other Current Liabilities & Provisions | – |
| | TOTAL | 16.99 |
| | | 51.46 |
| | | 3,506.85 |
| | | 4,037.89 |
| 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 | 3,471.95 |
| 2 | Deposits | 0.20 |
| 3 | Other Current Assets | 1.00 |
| 3.1 | Cash & Bank Balance | 0.64 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 34.04 |
| 3.3 | Others | 0.02 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | – |
| | TOTAL | 3,506.85 |
| | | 4,037.89 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | | HSBC MANAGED SOLUTIONS INDIA – GROWTH | |
|-----------|--|--|--|
| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| 1 | INCOME | | |
| 1.1 | Dividend | – | – |
| 1.2 | Interest | 1.96 | 1.61 |
| 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 | 765.91 | 458.04 |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | – | – |
| 1.7 | Other Income | 0.35 | 0.75 |
| | (A) | 768.22 | 460.40 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | 4.27 | 2.19 |
| 2.2 | GST/Service Tax on Management Fees | 0.77 | 0.39 |
| 2.3 | Transfer Agents Fees and Expenses | 1.45 | 1.76 |
| 2.4 | Custodian Fees | 0.43 | 1.62 |
| 2.5 | Trusteeship Fees | 0.15 | 0.19 |
| 2.6 | Commission to Agents | 11.50 | 11.93 |
| 2.7 | Marketing & Distribution Expenses | 0.15 | 0.01 |
| 2.8 | Audit Fees | 0.04 | 0.20 |
| 2.9 | Investor Education Expenses | 0.18 | 0.83 |
| 2.10 | Interest on Borrowing | – | – |
| 2.11 | Other Operating Expenses | 2.00 | 2.13 |
| | (B) | 20.94 | 21.25 |
| 3 | NET REALISED GAINS / (LOSSES) FOR THE YEAR | | |
| | (C = A - B) | 747.28 | 439.15 |
| 4 | Change in Unrealised Depreciation in Value of Investments | | |
| | (D) | – | – |
| 5 | NET GAINS / (LOSSES) FOR THE YEAR | | |
| | (E = C + D) | 747.28 | 439.15 |
| 6 | Change in Unrealised Appreciation in Value of Investments | | |
| | (F) | (750.40) | 224.40 |
| 7 | NET SURPLUS / (DEFICIT) FOR THE YEAR | | |
| | (G = E + F) | (3.12) | 663.55 |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 750.40 | – |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | – | 224.40 |
| 7.3 | Add/(Less) : Equalisation | (291.47) | (303.33) |
| 7.4 | Transfer from Reserve Fund | 2,008.33 | 1,872.51 |
| 7.5 | Transfer from Unit Premium Reserve | – | – |
| 8 | Total | 2,464.14 | 2,008.33 |
| 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 | 2,464.14 | 2,008.33 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| HSBC MANAGED SOLUTIONS INDIA – GROWTH | | |
|--|--|---|
| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 26.6468 | 22.7661 |
| Regular Plan – IDCW Option | 26.6468 | 22.7661 |
| Direct Plan – Growth Option | 27.2884 | 23.2324 |
| Direct Plan – IDCW Option | 27.2884 | 23.2324 |
| High | | |
| Regular Plan – Growth Option | 27.8508 | 28.3907 |
| Regular Plan – IDCW Option | 27.8508 | 28.3907 |
| Direct Plan – Growth Option | 28.5901 | 29.0538 |
| Direct Plan – IDCW Option | 28.5901 | 29.0538 |
| Low | | |
| Regular Plan – Growth Option | 23.2267 | 22.1808 |
| Regular Plan – IDCW Option | 23.2267 | 22.1808 |
| Direct Plan – Growth Option | 23.8045 | 22.6377 |
| Direct Plan – IDCW Option | 23.8045 | 22.6377 |
| End | | |
| Regular Plan – Growth Option | 26.6351 | 26.6468 |
| Regular Plan – IDCW Option | 26.6351 | 26.6468 |
| Direct Plan – Growth Option | 27.3958 | 27.2884 |
| Direct Plan – IDCW Option | 27.3958 | 27.2884 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 3,490 | 3,986 |
| Average (AAuM) ¹ | 3,682 | 4,145 |
| 3. Gross income as % of AAuM² | | |
| | 20.86% | 11.11% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) | | |
| Regular Plan | 0.59% | 0.53% |
| Direct Plan | 0.15% | 0.17% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 0.12% | 0.05% |
| Direct Plan | 0.04% | 0.01% |
| 5. Net Income as a percentage of AAuM³ * | | |
| | 20.29% | 10.59% |
| 6. Portfolio turnover ratio⁴ | | |
| | 0.24 | 0.07 |
| 7. Total Dividend per unit distributed during the period (planwise) | | |
| Retail | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | – | – |

Key Statistics for the year ended March 31, 2023 (Contd...)

| HSBC MANAGED SOLUTIONS INDIA – GROWTH | | | |
|---|--|--|---|
| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| Corporate | | | |
| Regular Plan – IDCW Option | | – | – |
| Direct Plan – IDCW Option | | – | – |
| 8. Returns (%): | | | |
| a. Last One Year | | | |
| Scheme | | | |
| Regular Plan – Growth Option | | (0.04)% | 17.05% |
| Direct Plan – Growth Option | | 0.39% | 17.46% |
| Benchmark | | | |
| 20% of CRISIL Composite Bond Fund Index and 80% of S&P BSE 200 TRI | | (0.18)% | 19.39% |
| b. Since Inception | | | |
| Scheme | | | |
| Regular Plan – Growth Option | | 11.60% | 13.17% |
| Direct Plan – Growth Option | | 11.96% | 13.51% |
| Benchmark | | | |
| 20% of CRISIL Composite Bond Fund Index and 80% of S&P BSE 200 TRI | | 12.82% | 14.58% |

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 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 |
|--|---|---|---------------------------------|--|
| 2022-23 | | | | |
| HSBC Managed Solutions India - Growth | 1.51% | 0.53% | 2.04% | 2.05% |
| 2021-22 | | | | |
| HSBC Managed Solutions India - Growth | 1.51% | 0.53% | 2.04% | 2.05% |

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 on year ended March 31, 2023 & as on March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as on the year ended March 31, 2023 & March 31, 2022 are NIL.

1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.

1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|--------------------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Units in Domestic Mutual Fund | | | | |
| – Appreciation | 109,459,413 | 31.37 | 184,409,190 | 46.26 |
| – Depreciation | 90,305 | 0.03 | – | – |

1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 37,500,000 and Rs. 87,999,940 respectively being 10.18% and 23.90% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 28,300,000 and Rs. 101,499,200 respectively being 6.83% and 24.49% of the average net assets.

1.8. Non-Traded securities in the portfolios as at March 31, 2023 & March 31, 2022 are NIL.

2 Disclosure Under Regulation 25(8) of the Securities And Exchange Board of India (Mutual Funds) Regulations, 1996 As Amended

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 | Group Company | 2022-2023 | 0.46 | 38.51 | 879,093 | 90.98 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 0.85 | 54.57 | 1,105,689 | 91.98 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is 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, 2023 & March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 & March 31, 2022:

| Description | 2022-2023 | | | | |
|--------------------------------|----------------|--------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan Growth Option | 14,027,513.355 | 284,666.131 | 2,169,430.781 | 12,142,748.705 | 10 |
| Regular Plan IDCW Option | 365,338.177 | 74,796.610 | 113,613.661 | 326,521.126 | 10 |
| Direct Plan - Growth Option ** | 544,654.228 | 54,293.516 | 31,078.554 | 567,869.190 | 10 |
| Direct Plan - IDCW Option | 9,393.841 | 39,097.841 | 745.241 | 47,746.441 | 10 |

| Description | 2021-2022 | | | | |
|--------------------------------|----------------|--------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan Growth Option | 16,334,212.397 | 414,201.576 | 2,720,900.618 | 14,027,513.355 | 10 |
| Regular Plan IDCW Option | 659,723.378 | 96,790.339 | 391,175.540 | 365,338.177 | 10 |
| Direct Plan - Growth Option ** | 683,860.454 | 70,730.731 | 209,936.957 | 544,654.228 | 10 |
| Direct Plan - IDCW Option | 8,316.033 | 1,842.054 | 764.246 | 9,393.841 | 10 |

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 377,569.065 & as on March 31, 2022 is 377,569.065

- 5 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 6 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 7 Other income represents Exit load credited to the scheme is Rs.35,364. (2022: 74,688/- represents Exit load credited to the scheme).

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure are presented for surviving scheme only.

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

14 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---------------------------------------|---|---|--|
| HSBC Managed Solutions India - Growth | Very High | Very High | 0 |

- 15 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| HSBC MANAGED SOLUTIONS INDIA – MODERATE | | | |
|--|---|-------------------------|-----------------|
| | As at March 31, 2023 | As at March 31, 2022 | |
| LIABILITIES | | | |
| 1 | Unit Capital | 2,322.44 | 2,837.61 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | (2,065.65) | (2,035.39) |
| 2.2 | Unrealised Appreciation Reserve | 1,578.87 | 2,984.86 |
| 2.3 | Other Reserves | 3,851.89 | 3,130.99 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income/Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 35.12 | 58.10 |
| | TOTAL | 5,722.67 | 6,976.17 |
| 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 | 5,689.04 | 6,873.36 |
| 1.10 | Foreign Securities | - | - |
| | Total Investments | 5,689.04 | 6,873.36 |
| 2 | Deposits | 0.31 | 1.50 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 0.83 | 0.53 |
| 3.2 | TREPS/Reverse Repo Lending | 32.44 | 100.13 |
| 3.3 | Others | 0.05 | 0.65 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| | TOTAL | 5,722.67 | 6,976.17 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | | HSBC MANAGED SOLUTIONS INDIA – MODERATE | |
|-----------|--|--|--|
| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| 1 | INCOME | | |
| 1.1 | Dividend | – | – |
| 1.2 | Interest | 3.21 | 2.27 |
| 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 | 1,476.65 | 634.65 |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | – | – |
| 1.7 | Other Income | 0.12 | 0.14 |
| | (A) | 1,479.98 | 637.06 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | 9.93 | 9.63 |
| 2.2 | GST/Service Tax on Management Fees | 1.79 | 1.73 |
| 2.3 | Transfer Agents Fees and Expenses | 2.49 | 3.04 |
| 2.4 | Custodian Fees | 0.44 | 1.64 |
| 2.5 | Trusteeship Fees | 0.26 | 0.33 |
| 2.6 | Commission to Agents | 32.13 | 33.09 |
| 2.7 | Marketing & Distribution Expenses | 0.38 | 0.10 |
| 2.8 | Audit Fees | 0.07 | 0.20 |
| 2.9 | Investor Education Expenses | 0.32 | 1.43 |
| 2.10 | Interest on Borrowing | – | – |
| 2.11 | Other Operating Expenses | 1.22 | 1.36 |
| | (B) | 49.03 | 52.55 |
| 3 | NET REALISED GAINS / (LOSSES) FOR THE YEAR | (C = A - B) | 1,430.95 |
| 4 | Change in Unrealised Depreciation in Value of Investments | (D) | – |
| 5 | NET GAINS / (LOSSES) FOR THE YEAR | (E = C + D) | 1,430.95 |
| 6 | Change in Unrealised Appreciation in Value of Investments | (F) | 379.20 |
| 7 | NET SURPLUS / (DEFICIT) FOR THE YEAR | (G = E + F) | 1,810.15 |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 1,405.99 | – |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | – | 379.20 |
| 7.3 | Add / (Less) : Equalisation | (709.99) | (384.51) |
| 7.4 | Transfer from Reserve Fund | 3,130.99 | 2,930.99 |
| 7.5 | Transfer from Unit Premium Reserve | – | – |
| 8 | Total | 3,851.95 | 3,130.99 |
| 9 | Dividend Appropriation | | |
| 9.1 | Income Distributed during the Year | (0.06) | – |
| 9.2 | Tax on Income Distributed during the Year | – | – |
| 10 | Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 3,851.89 | 3,130.99 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| HSBC MANAGED SOLUTIONS INDIA – MODERATE | | |
|--|--|---|
| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 24.3650 | 21.3108 |
| Regular Plan – IDCW Option | 24.3650 | 21.3108 |
| Direct Plan – Growth Option | 25.1141 | 21.8346 |
| Direct Plan – IDCW Option | 15.7375 | 13.6881 |
| High | | |
| Regular Plan – Growth Option | 25.2920 | 25.6268 |
| Regular Plan – IDCW Option | 25.2920 | 25.6268 |
| Direct Plan – Growth Option | 26.1750 | 26.3802 |
| Direct Plan – IDCW Option | 16.0024 | 16.5337 |
| Low | | |
| Regular Plan – Growth Option | 21.7333 | 20.8786 |
| Regular Plan – IDCW Option | 21.7333 | 20.8786 |
| Direct Plan – Growth Option | 22.4300 | 21.3959 |
| Direct Plan – IDCW Option | 13.1480 | 13.4129 |
| End | | |
| Regular Plan – Growth Option | 24.4657 | 24.3650 |
| Regular Plan – IDCW Option | 24.4657 | 24.3650 |
| Direct Plan – Growth Option | 25.3848 | 25.1141 |
| Direct Plan – IDCW Option | 14.8774 | 15.7375 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 5,688 | 6,933 |
| Average (AAuM) ¹ | 6,281 | 7,128 |
| 3. Gross income as % of AAuM ² | 23.56% | 8.94% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) | | |
| Regular Plan | 0.80% | 0.75% |
| Direct Plan | 0.14% | 0.15% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 0.16% | 0.14% |
| Direct Plan | 0.06% | 0.03% |
| 5. Net Income as a percentage of AAuM ³ * | 22.78% | 8.20% |
| 6. Portfolio turnover ratio ⁴ | 0.27 | 0.06 |
| 7. Total Dividend per unit distributed during the period (planwise) | | |
| Retail | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | 2.00000 | – |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | | HSBC MANAGED SOLUTIONS INDIA – MODERATE | |
|------------------|---|--|--|
| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| Corporate | | | |
| | Regular Plan – IDCW Option | – | – |
| | Direct Plan – IDCW Option | 2.00000 | – |
| 8. | Returns (%): | | |
| | a. Last One year | | |
| | Scheme | | |
| | Regular Plan – Growth Option | 0.41% | 14.33% |
| | Direct Plan – Growth Option | 1.08% | 15.02% |
| | Benchmark | | |
| | CRISIL Hybrid 35 plus 65 Aggressive Index | 1.14% | 15.29% |
| | b. Since Inception | | |
| | Scheme | | |
| | Regular Plan – Growth Option | 10.55% | 11.90% |
| | Direct Plan – Growth Option | 11.00% | 12.32% |
| | Benchmark | | |
| | CRISIL Hybrid 35 plus 65 Aggressive Index | 12.03% | 13.48% |

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 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 |
|---------------------------------------|--------------------------------|--------------------------|----------------------|---------------------------------|
| | 2022-23 | | | |
| HSBC Managed Solutions India-Moderate | 0.74% | 0.75% | 1.49% | 2.05% |
| | 2021-22 | | | |
| HSBC Managed Solutions India-Moderate | 0.74% | 0.75% | 1.49% | 2.05% |

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 on year ended March 31, 2023 & as on March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as on the year ended March 31, 2023 & March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|--------------------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Units in Domestic Mutual Fund | | | | |
| – Appreciation | 157,978,279 | 27.77 | 298,486,079 | 43.05 |
| – Depreciation | 90,882 | 0.02 | – | – |

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 44,500,000 and 169,999,820 respectively being 7.09% and 27.07% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 46,000,000 and 143,498,995 respectively being 6.45% and 20.13% of the average net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2023 & March 31, 2022 are NIL.

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

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | 0.27 | 38.10 | 2,571,648 | 97.19 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 0.79 | 46.75 | 3,176,846.90 | 97.21 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is Nil.
(Previous year also Nil).

- 3 Details of investors holding units in the scheme over 25% of the NAV as on 31st March 2023:- (Previous year Nil)

| Name of Scheme | Number of Investor | % Investment as on March 31, 2023 |
|---|--------------------|-----------------------------------|
| HSBC Managed Solutions India - Moderate | 1 | 25.47 |

- 4 Unit Capital movement during the year ended March 31, 2023 & March 31, 2022:

| Description | 2022-2023 | | | | |
|--------------------------------|----------------|--------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 26,032,894.683 | 235,784.240 | 5,298,586.879 | 20,970,092.044 | 10 |
| Regular Plan - IDCW Option | 1,701,399.797 | 30,994.831 | 138,699.533 | 1,593,695.095 | 10 |
| Direct Plan - Growth Option ** | 635,796.655 | 27,581.894 | 7,759.053 | 655,619.496 | 10 |
| Direct Plan - IDCW Option | 6,058.067 | 940.586 | 2,000.000 | 4,998.653 | 10 |

| Description | 2021-2022 | | | | |
|--------------------------------|----------------|--------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 29,662,319.489 | 336,854.052 | 3,966,278.858 | 26,032,894.683 | 10 |
| Regular Plan - IDCW Option | 1,934,538.958 | 23,694.635 | 256,833.796 | 1,701,399.797 | 10 |
| Direct Plan - Growth Option ** | 616,329.273 | 28,267.375 | 8,799.993 | 635,796.655 | 10 |
| Direct Plan - IDCW Option | 4,991.300 | 1,495.457 | 428.690 | 6,058.067 | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 407,381.757 & as on March 31, 2022 is 407,381.757.

- 5 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 6 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 7 Other income represents Exit load credited to the scheme is Rs. 11,638. (2022: 13,640/- represents Exit load 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/MD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure are presented for surviving scheme only.

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 10 Pursuant to SEBI Circular No. SEBI/HO/MD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---|---|---|--|
| HSBC Managed Solutions India - Moderate | High | High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE | | | |
|--|---|-------------------------|-----------------|
| | As at March 31, 2023 | As at March 31, 2022 | |
| LIABILITIES | | | |
| 1 | Unit Capital | 1,916.96 | 2,302.29 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | (1,985.72) | (2,307.56) |
| 2.2 | Unrealised Appreciation Reserve | 379.14 | 1,443.20 |
| 2.3 | Other Reserves | 3,132.36 | 2,594.33 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income/Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 5.80 | 6.96 |
| | TOTAL | 3,448.54 | 4,039.22 |
| 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 | 3,420.18 | 3,998.66 |
| 1.10 | Foreign Securities | - | - |
| | Total Investments | 3,420.18 | 3,998.66 |
| 2 | Deposits | 0.19 | 1.00 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 0.31 | 0.02 |
| 3.2 | TREPS/Reverse Repo Lending | 27.84 | 39.53 |
| 3.3 | Others | 0.02 | 0.01 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| | TOTAL | 3,448.54 | 4,039.22 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | | HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE | |
|------|--|--|--|
| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| 1 | INCOME | | |
| 1.1 | Dividend | – | – |
| 1.2 | Interest | 1.84 | 1.28 |
| 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 | 1,185.56 | 434.01 |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | – | – |
| 1.7 | Other Income | 0.03 | 0.39 |
| | (A) | 1,187.43 | 435.68 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | 9.00 | 10.82 |
| 2.2 | GST/Service Tax on Management Fees | 1.62 | 1.95 |
| 2.3 | Transfer Agents Fees and Expenses | 1.51 | 1.85 |
| 2.4 | Custodian Fees | 0.42 | 1.62 |
| 2.5 | Trusteeship Fees | 0.16 | 0.21 |
| 2.6 | Commission to Agents | 19.38 | 21.01 |
| 2.7 | Marketing & Distribution Expenses | 0.15 | 0.01 |
| 2.8 | Audit Fees | 0.04 | 0.20 |
| 2.9 | Investor Education Expenses | 0.20 | 0.89 |
| 2.10 | Interest on Borrowing | – | – |
| 2.11 | Other Operating Expenses | 0.73 | 0.88 |
| | (B) | 33.21 | 39.44 |
| 3 | NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) | 1,154.22 |
| 4 | Change in Unrealised Depreciation in Value of Investments | (D) | – |
| 5 | NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) | 1,154.22 |
| 6 | Change in Unrealised Appreciation in Value of Investments | (F) | (1,064.06) |
| 7 | NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) | 90.16 |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 1,064.06 | 180.98 |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | – | – |
| 7.3 | Add/(Less) : Equalisation | (616.19) | (672.42) |
| 7.4 | Transfer from Reserve Fund | 2,594.33 | 2,870.51 |
| 7.5 | Transfer from Unit Premium Reserve | – | – |
| 8 | Total | 3,132.36 | 2,594.33 |
| 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 | 3,132.36 | 2,594.33 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE | | |
|--|--|---|
| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 17.5018 | 16.7087 |
| Regular Plan – IDCW Option | 17.5018 | 16.7087 |
| Direct Plan – Growth Option | 18.1150 | 17.1655 |
| High | | |
| Regular Plan – Growth Option | 17.9409 | 17.5141 |
| Regular Plan – IDCW Option | 17.9409 | 17.5141 |
| Direct Plan – Growth Option | 18.7108 | 18.1202 |
| Low | | |
| Regular Plan – Growth Option | 16.9875 | 16.6949 |
| Regular Plan – IDCW Option | 16.9875 | 16.6949 |
| Direct Plan – Growth Option | 17.6104 | 17.1584 |
| End | | |
| Regular Plan – Growth Option | 17.9409 | 17.5018 |
| Regular Plan – IDCW Option | 17.9409 | 17.5018 |
| Direct Plan – Growth Option | 18.7108 | 18.1150 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 3,443 | 4,032 |
| Average (AAuM) ¹ | 3,790 | 4,458 |
| 3. Gross income as % of AAuM ² | 31.33% | 9.77% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) | | |
| Regular Plan | 0.89% | 0.90% |
| Direct Plan | 0.13% | 0.15% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 0.24% | 0.25% |
| Direct Plan | 0.05% | 0.02% |
| 5. Net Income as a percentage of AAuM ³ | 30.45% | 8.89% |
| 6. Portfolio turnover ratio ⁴ | 0.25 | 0.04 |
| 7. Total dividend per unit distributed during the period (planwise) | | |
| Retail | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | – | – |
| Corporate | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | – | – |

Key Statistics for the year ended March 31, 2023 (Contd...)

HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
|--|---|--|

8. Returns (%):

a. Last One Year

Scheme

| | | |
|------------------------------|-------|-------|
| Regular Plan – Growth Option | 2.51% | 4.75% |
| Direct Plan – Growth Option | 3.29% | 5.53% |

Benchmark

| | | |
|---|-------|-------|
| 90% of CRISIL Composite Bond Fund Index and 10% of S&P BSE 200 TRI | 2.90% | 7.52% |
|---|-------|-------|

b. Since Inception

Scheme

| | | |
|------------------------------|-------|-------|
| Regular Plan – Growth Option | 6.77% | 7.32% |
| Direct Plan – Growth Option | 7.27% | 7.79% |

Benchmark

| | | |
|---|-------|-------|
| 90% of CRISIL Composite Bond Fund Index and 10% of S&P BSE 200 TRI | 9.03% | 9.83% |
|---|-------|-------|

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 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 |
|---|--------------------------------------|-----------------------------|-------------------------|---------------------------------------|
| 2022-23 | | | | |
| HSBC Managed Solution India – Conservative | 0.88% | 0.90% | 1.78% | 2.05% |
| 2021-22 | | | | |
| HSBC Managed Solution India-Conservative | 0.88% | 0.90% | 1.78% | 2.05% |

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 on year ended March 31, 2023 & as on March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as on the year ended March 31, 2023 & March 31, 2022 are NIL.

1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.

1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|--------------------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Units in Domestic Mutual Fund | | | | |
| – Appreciation | 38,967,049 | 11.32 | 145,372,575 | 36.05 |
| – Depreciation | – | – | – | – |

1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 26,000,000 and Rs. 95,999,990 respectively being 6.86% and 25.33% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2021-2022 (excluding accretion of discount) is Rs. 19,500,000 and Rs. 139,506,120 respectively being 4.37% and 31.29% of the average net assets.

1.8. Non-Traded securities in the portfolios as at March 31, 2023 & March 31, 2022 are NIL.

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

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | 0.03 | 3.15 | 1,633,020 | 99.85 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 0.93 | 38.94 | 2,186,786 | 99.76 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is Nil.
(Previous year also Nil).

- 3 Details of investors holding units in the scheme over 25% of the NAV as on 31st March 2023:- (Previous year Nil)

| Name of Scheme | Number of Investor | % Investment as on March 31, 2023 |
|--|--------------------|-----------------------------------|
| HSBC Managed Solution India-Conservative | 1 | 25.66 |

- 4 Unit Capital movement during the year ended March 31, 2023 & March 31, 2022:

| Description | 2022-2023 | | | | Face Value per unit (Rupees) |
|--------------------------------|----------------|--------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan - Growth Option | 20,938,281.328 | 478,156.374 | 3,739,903.093 | 17,676,534.609 | 10 |
| Regular Plan - IDCW Option | 1,621,720.435 | 6,642.648 | 596,567.102 | 1,031,795.981 | 10 |
| Direct Plan - Growth Option ** | 462,915.172 | 2,215.420 | 3,906.429 | 461,224.163 | 10 |

| Description | 2021-2022 | | | | Face Value per unit (Rupees) |
|--------------------------------|----------------|--------------|---------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan - Growth Option | 27,146,579.682 | 500,803.570 | 6,709,101.924 | 20,938,281.328 | 10 |
| Regular Plan - IDCW Option | 2,129,572.452 | 47,944.536 | 555,796.553 | 1,621,720.435 | 10 |
| Direct Plan - Growth Option ** | 459,939.902 | 7,750.517 | 4,775.247 | 462,915.172 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 434,786.389 & as on March 31, 2022 is 434,786.389.

- 5 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 6 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 7 Other income represents Exit load credited to the scheme is Rs. 2,788. (2022: Rs. 38,879/- represents Exit load credited to the scheme)

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure are presented for surviving scheme only.

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

13 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---|---|---|--|
| HSBC Managed Solutions India - Conservative | Moderately High | Moderate | 1 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



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 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.

The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to



long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

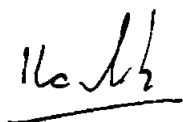
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ("Fund") presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Fund of Funds 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

Trustees' Report

For the year ended March 31, 2023 (Contd...)



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 INR 8.54 crores as at March 31, 2023 as against INR 9.90 crores as at March 31, 2022. Around 97.29% of the net assets were invested in Mutual Fund units, 3.21% of the net assets were invested in reverse repos/TREPS, (-0.5%) in net current assets as at March 31, 2023.

| HSBC Asia Pacific (Ex Japan) Dividend Yield Fund | | | | Date of Inception : 24 February, 2014 | | | | |
|--|---------------|----------------|---------------|---------------------------------------|---------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Asia Pacific (Ex Japan) Dividend Yield Fund | 9,529 | -4.71 | 13,723 | 11.13 | 13,365 | 5.96 | 18,078 | 6.72 |
| Scheme Benchmark (MSCI AC Asia Pacific ex Japan TRI) | 9,854 | -1.46 | 14,037 | 11.97 | 13,349 | 5.93 | 19,297 | 7.49 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | 20,871 | 27.80 | 18,222 | 12.72 | 31,349 | 13.38 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--|---|---|
| HSBC Asia Pacific (Ex Japan) Dividend Yield Fund |  <p>RISKOMETER</p> <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: MSCI AC Asia Pacific ex Japan TRI</p>  <p>RISKOMETER</p> |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak

Trustees' Report

For the year ended March 31, 2023 (Contd...)

in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

Trustees' Report

For the year ended March 31, 2023 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

Trustees' Report

For the year ended March 31, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|---|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC Asia Pacific (Ex Japan) Div Yield Fund | – | – | 4 | 15,128.45 |

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 59 | 58 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/MD/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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|--|---|---|--|
| HSBC Asia Pacific (Ex Japan) Dividend Yield Fund | Very High | Very High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|---|---|
| | | | of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Asia Pacific (Ex Japan) Div Yield Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Asia Pacific (Ex Japan) Div Yield Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of

Independent Auditors' Report (Contd...)

the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQYU9098

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 508.19 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (18.05) |
| 2.2 | Unrealised Appreciation Reserve | 148.97 |
| 2.3 | Other Reserves | 351.08 |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 5.39 |
| | TOTAL | 995.58 |
| 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 | 977.40 |
| | Total Investments | 977.40 |
| 2 | Deposits | 1.00 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 0.15 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 16.90 |
| 3.3 | Others | 0.13 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 995.58 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|-----------|--|---|--|
| 1 | INCOME | | |
| 1.1 | Dividend | 26.36 | 28.76 |
| 1.2 | Interest | 1.98 | 1.22 |
| 1.3 | Realised Gain/(Loss) on Foreign Exchange Transactions | (2.50) | 6.78 |
| 1.4 | Realised Gains/(Losses) on Interscheme Sale of Investments | - | - |
| 1.5 | Realised Gains/(Losses) on External Sale/Redemption of Investments | 2.60 | 48.26 |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 | Other Income | 0.32 | 2.02 |
| | (A) | 28.76 | 87.04 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | 4.34 | 3.93 |
| 2.2 | GST on Management Fees | 0.78 | 0.71 |
| 2.3 | Transfer Agents Fees and Expenses | 0.35 | 0.44 |
| 2.4 | Custodian Fees | 0.48 | 2.13 |
| 2.5 | Trusteeship Fees | 0.03 | 0.05 |
| 2.6 | Commission to Agents | 1.73 | 2.12 |
| 2.7 | Marketing & Distribution Expenses | 0.10 | 0.82 |
| 2.8 | Audit Fees | 0.01 | 0.20 |
| 2.9 | Investor Education Expenses | 0.17 | 0.20 |
| 2.10 | Interest on Borrowing | - | - |
| 2.11 | Other Operating Expenses | 0.68 | 0.15 |
| | (B) | 8.66 | 10.76 |
| 3 | NET REALISED GAINS/(LOSSES) FOR THE YEAR | (C = A - B) | 20.10 |
| 4 | Change in Unrealised Depreciation in Value of Investments | (D) | - |
| 5 | NET GAINS/(LOSSES) FOR THE YEAR | (E = C + D) | 20.10 |
| 6 | Change in Unrealised Appreciation in Value of Investments | (F) | (72.15) |
| 7 | NET SURPLUS/(DEFICIT) FOR THE YEAR | (G = E + F) | (52.05) |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 72.15 | 93.43 |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 | Add/(Less) : Equalisation | (34.40) | 68.09 |
| 7.4 | Transfer from Reserve Fund | 351.08 | 207.89 |
| 7.5 | Transfer from Unit Premium Reserve | - | - |
| 8 | Total | 336.78 | 352.26 |
| 9 | Dividend Appropriation | | |
| 9.1 | Income Distributed during the Year | (2.76) | (1.19) |
| 9.2 | Tax on Income Distributed during the Year | - | - |
| 10 | Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 334.01 | 351.08 |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|--|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 18.9710 | 19.3173 |
| Regular Plan – IDCW Option | 18.9710 | 19.3173 |
| Direct Plan – Growth Option | 20.1157 | 20.3285 |
| Direct Plan – IDCW Option | 18.5953 | 20.3203 |
| High | | |
| Regular Plan – Growth Option | 19.0221 | 20.0475 |
| Regular Plan – IDCW Option | 19.0221 | 20.0475 |
| Direct Plan – Growth Option | 20.1716 | 21.2108 |
| Direct Plan – IDCW Option | 18.6469 | 21.2012 |
| Low | | |
| Regular Plan – Growth Option | 14.9005 | 17.6488 |
| Regular Plan – IDCW Option | 14.9005 | 17.6488 |
| Direct Plan – Growth Option | 15.8706 | 18.7073 |
| Direct Plan – IDCW Option | 14.6682 | 17.2938 |
| End | | |
| Regular Plan – Growth Option | 18.0777 | 18.9710 |
| Regular Plan – IDCW Option | 16.5482 | 18.9710 |
| Direct Plan – Growth Option | 19.3165 | 20.1157 |
| Direct Plan – IDCW Option | 16.3218 | 18.5953 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 854 | 990 |
| Average (AAuM) ¹ | 843 | 1,017 |
| 3. Gross income as % of AAuM ² | 3.41% | 8.56% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) | | |
| Regular Plan | 1.42% | 1.42% |
| Direct Plan | 0.65% | 0.66% |
| b. Management Fee as % of AAuM (planwise) | | |
| Regular Plan | 0.66% | 0.53% |
| Direct Plan | 0.38% | 0.22% |
| 5. Net Income as a percentage of AAuM ³ | 2.38% | 7.50% |
| 6. Portfolio turnover ratio ⁴ | 0.05 | 0.31 |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Retail | | |
| Regular Plan – IDCW Option | 3.00 | – |
| Direct Plan – IDCW Option | 3.00 | 1.50 |

Key Statistics for the year ended March 31, 2023 (Contd..)

| | Current Year ended March 31, 2023 | Previous Year ended March 31, 2022 |
|-----------------------------------|---|--|
| Corporate | | |
| Regular Plan – IDCW Option | 3.00 | – |
| Direct Plan – IDCW Option | 3.00 | 1.50 |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan – Growth Option | (4.71)% | (1.79)% |
| Direct Plan – Growth Option | (3.97)% | (1.05)% |
| Benchmark | | |
| MSCI AC Asia Pacific ex Japan TRI | (1.46)% | (7.49)% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan – Growth Option | 6.72% | 8.22% |
| Direct Plan – Growth Option | 7.50% | 9.01% |
| Benchmark | | |
| MSCI AC Asia Pacific ex Japan TRI | 7.49% | 8.65% |

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 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 |
|--|--------------------------------|--------------------------|----------------------|---------------------------------|
| 2022-23 | | | | |
| HSBC Asia Pacific (Ex Japan) Dividend Yield Fund | 0.65% | 1.30% | 1.95% | 2.30% |
| 2021-22 | | | | |
| HSBC Asia Pacific (Ex Japan) Dividend Yield Fund | 0.65% | 1.06% | 1.71% | 2.30% |

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year end and their percentages to net assets are as under:

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|---------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Foreign Securities | | | | |
| – Appreciation | 7,670,345 | 8.98% | 14,885,770 | 15.03% |
| – Depreciation | – | – | – | – |

- 1.7 The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2022-2023 (excluding accretion of discount) is Rs. 52,192 and 149,500 respectively being 0.06% and 0.18% of the average net assets.

The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2021-2022 (excluding accretion of discount) is Rs. 61,726,280 and 31,258,520 respectively being 60.71% and 30.74% of the average net assets.

- 1.8 Non -Traded securities in the portfolios as at March 31, 2023 and March 31, 2022 are NIL.

2 Disclosure Under Regulation 25(8) of the Securities And Exchange Board Of India (Mutual Funds) Regulations, 1996 As Amended.

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023

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 | Group Company | 2022-2023 | 0.00 | 0.30 | 98,201 | 69.02 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 1.11 | 14.68 | 144,301 | 71.97 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL.
(Previous year also NIL).

- None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2023 and March 31, 2022.
- Unit Capital movement during the year ended March 31, 2023 and March 31, 2022

| Description | 2022-2023 | | | | Face Value per unit (Rupees) |
|-------------------------------|---------------|--------------|-------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan Growth Option | 2,595,331.546 | 227,015.278 | 728,959.589 | 2,093,387.235 | 10 |
| Regular Plan IDCW Option | 101,094.425 | 16,226.649 | 9,463.473 | 107,857.601 | 10 |
| Direct Plan - Growth Option** | 2,305,973.682 | 350,020.890 | 357,215.523 | 2,298,779.049 | 10 |
| Direct Plan - IDCW Option | 79,527.758 | 21,716.484 | 12,118.022 | 89,126.220 | 10 |

| Description | 2021-2022 | | | | Face Value per unit (Rupees) |
|-------------------------------|---------------|---------------|---------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan Growth Option | 1,891,852.226 | 1,880,946.467 | 1,177,467.147 | 2,595,331.546 | 10 |
| Regular Plan IDCW Option | 100,925.176 | 42,797.603 | 42,628.354 | 101,094.425 | 10 |
| Direct Plan - Growth Option** | 1,638,217.373 | 1,844,381.671 | 1,176,625.362 | 2,305,973.682 | 10 |
| Direct Plan - IDCW Option | 99,598.436 | 37,287.219 | 57,357.897 | 79,527.758 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 434,480.361 & as on March 31, 2022 is 434,480.361.

- No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- Other income credited to the scheme of 31,686 represents Exit load credited to the scheme. (2022 :- Rs. 201,507 represents Exit load credited to the scheme)

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023****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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

* In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 9 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 13 **Disclosure of Risk-o-meter**

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---|---|---|--|
| HSBC Asia Pacific (Ex Japan) Div Yield Fund | Very High | Very High | 0 |

- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2023**

part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD/RAC2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Global Equity Climate Change Fund of Fund

An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change.

Abridged Annual Report 2022 - 2023

 **HSBC** Mutual Fund

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

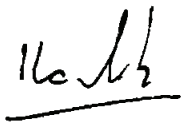
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Scheme

➤ Fund of Funds Schemes

HSBC Global Climate Equity Change Fund (HGCECF)

(An open ended fund of fund scheme investing in HSBC Global Investments Funds - Global Equity Climate Change)

HGCECF seeks to provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds – Global Equity Climate Change. The scheme may also invest a certain proportion of its corpus in money market instruments and/or units of overnight/liquid mutual fund schemes, in order to

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 HGCECF amounted to INR 301.84 crores as at March 31, 2023 as against INR 523.28 crores as at March 31, 2022. Around 96.23% of the net assets were invested in Mutual Fund units, 4.74% of the net assets were invested in reverse repos/TREPS, (-0.97%) in net current assets as at March 31, 2023.

| HSBC Global Equity Climate Change Fund | | | | | Date of Inception : 22 March, 2021 | | | |
|--|---------------|----------------|---------------|----------------|------------------------------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Global Equity Climate Change Fund of Fund | 9,702 | -2.98 | NA | NA | NA | NA | 9,262 | -3.71 |
| Scheme Benchmark (MSCI AC World TRI) | 10,014 | 0.14 | NA | NA | NA | NA | 11,265 | 6.06 |
| Additional Benchmark (Nifty 50 TRI) | 10,059 | 0.59 | NA | NA | NA | NA | 12,062 | 9.70 |

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2023 for Growth Option – Regular Plan. 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|--|--|--|
| HSBC Global Equity Climate Change Fund of Fund |  <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index : MSCI AC World Index TRI</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2023. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic

Trustees' Report

For the year ended March 31, 2023 (Contd...)

inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD 30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

Trustees' Report

For the year ended March 31, 2023 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most of the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnaround tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

Trustees' Report

For the year ended March 31, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2023: 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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 | |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|--|---|---|--|
| HSBC Global Equity Climate Change Fund of Fund | Very High | Very High | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|---|---|
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document. | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|---|---|
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

To the Board of Trustees of HSBC Mutual Fund

HSBC Global Equity Climate Change Fund of Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HSBC Global Equity Climate Change Fund of Fund** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023 and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023; and
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date;

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of

Independent Auditors' Report (Contd...)

adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report (Contd...)

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet and the Revenue Account, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No. 117812

UDIN: 23117812BGXQYW1552

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | As at March 31, 2023 | As at March 31, 2022 |
|--------------------|---|-------------------------|
| LIABILITIES | | |
| 1 | Unit Capital | 54,790.90 |
| 2 | Reserves & Surplus | |
| 2.1 | Unit Premium Reserves | (615.55) |
| 2.2 | Unrealised Appreciation Reserve | - |
| 2.3 | Other Reserves | (1,847.54) |
| 3 | Loans & Borrowings | - |
| 4 | Current Liabilities & Provisions | |
| 4.1 | Provision for Doubtful Income/Deposits | - |
| 4.2 | Other Current Liabilities & Provisions | 383.88 |
| | TOTAL | 52,711.69 |
| 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 | 29,046.38 |
| | Total Investments | 52,141.04 |
| 2 | Deposits | 8.00 |
| 3 | Other Current Assets | |
| 3.1 | Cash & Bank Balance | 0.72 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | 561.88 |
| 3.3 | Others | 0.05 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - |
| | TOTAL | 52,711.69 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2023

Rs. in Lakhs

| | Current Year ended March 31, 2023 | Previous period ended March 31, 2022 |
|---|---|--|
| 1 INCOME | | |
| 1.1 Dividend | – | – |
| 1.2 Interest | 36.63 | 92.84 |
| 1.3 Realised Gain / (Loss) on Foreign Exchange Transactions | (10.62) | (587.97) |
| 1.4 Realised Gains/(Losses) on Interscheme Sale of Investments | – | – |
| 1.5 Realised Gains/(Losses) on External Sale/Redemption of Investments | (2,284.98) | 578.90 |
| 1.6 Realised Gains/(Losses) on Derivative Transactions | – | – |
| 1.7 Other Income | 3.58 | 110.86 |
| | (A) | |
| | (2,255.39) | 194.63 |
| 2 EXPENSES | | |
| 2.1 Management Fees | 242.69 | 397.35 |
| 2.2 GST/Service Tax on Management Fees | 43.68 | 71.52 |
| 2.3 Transfer Agents Fees and Expenses | 17.31 | 25.90 |
| 2.4 Custodian Fees | 1.51 | 2.71 |
| 2.5 Trusteeship Fees | 1.77 | 2.89 |
| 2.6 Commission to Agents | 252.05 | 358.55 |
| 2.7 Marketing & Distribution Expenses | 1.79 | 0.19 |
| 2.8 Audit Fees | 0.48 | 1.10 |
| 2.9 Investor Education Expenses | 8.17 | 12.26 |
| 2.10 Interest on Borrowing | – | – |
| 2.11 Other Operating Expenses | 9.70 | 11.77 |
| | (B) | |
| | 579.15 | 884.24 |
| 3 NET REALISED GAINS / (LOSSES) FOR THE YEAR | (C = A - B) | (689.61) |
| 4 Change in Unrealised Depreciation in Value of Investments | (D) | (1,170.35) |
| 5 NET GAINS / (LOSSES) FOR THE YEAR | (E = C + D) | (1,859.96) |
| 6 Change in Unrealised Appreciation in Value of Investments | (F) | (511.98) |
| 7 NET SURPLUS / (DEFICIT) FOR THE YEAR | (G = E + F) | (2,371.94) |
| 7.1 Add : Balance Transfer from Unrealised Appreciation Reserve | – | 511.98 |
| 7.2 Less : Balance Transfer to Unrealised Appreciation Reserve | – | – |
| 7.3 Add/(Less) : Equalisation | 2,760.67 | 165.83 |
| 7.4 Transfer from Reserve Fund | (1,847.54) | (153.42) |
| 7.5 Transfer from Unit Premium Reserve | – | – |
| 8 Total | (1,775.78) | (1,847.55) |
| 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 | (1,775.78) | (1,847.55) |

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2023

| | Current Year ended March 31, 2023 | Previous period ended March 31, 2022 |
|---|---|--|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan – Growth Option | 9.5466 | 10.0580 |
| Regular Plan – IDCW Option | 9.5466 | 10.0580 |
| Direct Plan – Growth Option | 9.6253 | 10.0601 |
| Direct Plan – IDCW Option | 9.6253 | 10.0601 |
| High | | |
| Regular Plan – Growth Option | 9.4664 | 11.0565 |
| Regular Plan – IDCW Option | 9.4664 | 11.0565 |
| Direct Plan – Growth Option | 9.5785 | 11.1158 |
| Direct Plan – IDCW Option | 9.5785 | 11.1158 |
| Low | | |
| Regular Plan – Growth Option | 7.5365 | 8.8336 |
| Regular Plan – IDCW Option | 7.5365 | 8.8336 |
| Direct Plan – Growth Option | 7.6309 | 8.8995 |
| Direct Plan – IDCW Option | 7.6309 | 8.8995 |
| End | | |
| Regular Plan – Growth Option | 9.2624 | 9.5466 |
| Regular Plan – IDCW Option | 9.2624 | 9.5466 |
| Direct Plan – Growth Option | 9.4116 | 9.6253 |
| Direct Plan – IDCW Option | 9.4116 | 9.6253 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 30,184 | 52,328 |
| Average (AAuM) ¹ | 40,862 | 61,280 |
| 3. Gross income as % of AAuM ² (Annualised) | | |
| | -5.52% | 0.32% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees) (planwise) (Annualised) | | |
| Regular Plan | 1.46% | 1.47% |
| Direct Plan | 0.68% | 0.68% |
| b. Management Fee as % of AAuM (planwise) (Annualised) | | |
| Regular Plan | 0.60% | 0.65% |
| Direct Plan | 0.49% | 0.53% |
| 5. Net Income as a percentage of AAuM ³ (Annualised) | | |
| | -6.94% | -1.13% |
| 6. Portfolio turnover ratio ⁴ | | |
| | 0.51 | 0.12 |
| 7. Total Dividend per unit distributed during the year (planwise) | | |
| Retail | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | – | – |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | Current Year ended March 31, 2023 | Previous period ended March 31, 2022 |
|------------------------------|---|--|
| Corporate | | |
| Regular Plan – IDCW Option | – | – |
| Direct Plan – IDCW Option | – | – |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan – Growth Option | (2.98)% | (5.08)% |
| Direct Plan – Growth Option | (2.22)% | (4.32)% |
| Benchmark | | |
| MSCI AC World Index TRI | 0.14% | 11.31% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan – Growth Option | (3.71)% | (4.43)% |
| Direct Plan – Growth Option | (2.95)% | (3.66)% |
| Benchmark | | |
| MSCI AC World Index TRI | 6.06% | 12.17% |

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 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 |
|---------------------------------------|--------------------------------|--------------------------|----------------------|---------------------------------|
| 2022-23 | | | | |
| HSBC Global Equity Climate Change FOF | 0.65% | 1.35% | 2.00% | 2.30% |
| 2021-22 | | | | |
| HSBC Global Equity Climate Change FOF | 0.85% | 1.44% | 2.29% | 2.30% |

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 on year/ period ended March 31, 2023 & March 31, 2022 are NIL.
- 1.3. Investments in Associates and Group Companies:

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes | Amount | Aggregate Investments by all schemes |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as on the year/period ended March 31, 2023 & March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 & March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets.

(Rupees)

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|---------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Foreign Securities | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | 102,471,830 | 3.39 | 117,034,798 | 2.24 |

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2022-2023 (excluding accretion of discount) is Nil and 25,795,000 respectively being 0% and 0.63% of the average net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2021-2022 (excluding accretion of discount) is 3,849,430,600 and 747,448,110 respectively being 62.82% and 12.20% of the average net assets.

- 1.8. Non -Traded securities in the portfolios as at March 31, 2023 & March 31, 2022 are NIL.

2 Disclosure Under Regulation 25(8) of the Securities And Exchange Board of India (Mutual Funds) Regulations, 1996 As Amended.

During the year 2022-23, 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 2021-22, 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.

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

To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023

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 | Group Company | 2022-2023 | 2.24 | 11.22 | 18,820,501 | 87.55 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | 26.53 | 37.05 | 28,669,049 | 88.85 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL.
(Previous year Nil)

- None of the Investors held more than 25% of the total net assets of the scheme at the year/ period ended March 31, 2023 & March 31, 2022.
- Unit Capital movement during the year/period ended March 31, 2023 & March 31, 2022:

| Description | 2022-2023 | | | | |
|-------------------------------|-----------------|----------------|-----------------|-----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 516,599,520.315 | 20,688,039.041 | 233,296,840.197 | 303,990,719.159 | 10 |
| Regular Plan - IDCW Option | 4,145,801.010 | 265,203.519 | 1,894,096.894 | 2,516,907.635 | 10 |
| Direct Plan - Growth Option** | 26,992,229.289 | 2,483,866.723 | 10,178,089.930 | 19,298,006.082 | 10 |
| Direct Plan - IDCW Option | 171,464.566 | 31,842.881 | 125,482.490 | 77,824.957 | 10 |

| Description | 2021-2022 | | | | |
|-------------------------------|-----------------|----------------|-----------------|-----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 608,182,596.676 | 40,923,749.403 | 132,506,825.764 | 516,599,520.315 | 10 |
| Regular Plan - IDCW Option | 4,243,535.050 | 1,208,193.248 | 1,305,927.288 | 4,145,801.010 | 10 |
| Direct Plan - Growth Option** | 6,391,809.700 | 22,076,699.233 | 1,476,279.644 | 26,992,229.289 | 10 |
| Direct Plan - IDCW Option | 60,297.387 | 124,677.740 | 13,510.561 | 171,464.566 | 10 |

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2023 is 717,395.378 & as on March 31, 2022 is 499,975.001

- No contingent liabilities for the year/period ended March 31, 2023 and March 31, 2022.
- Expenses other than Management Fees and Audit 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, 2023

- 7 Other income credited to the scheme of 357,516 represents Exit load credited to the scheme. (2022 :- Rs. 11,086,269 represents Exit load 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, 2023. The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|--|----------------|----------------|
| | Amount | Amount |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during FY 2022-23 | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 2023 accrual) * | 6,924,530 | 1,064,717 |
| Add: Investment Income FY 2022-23 | 16,641,570 | 1,563,449 |
| Less: Spent during FY 2022-23 | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure are presented for surviving scheme only.

- 9 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.

10 Disclosure of Risk-o-meter

| Scheme Name | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Risk-o-meter level as on March 31, 2022 | Number of changes in Risk-o-meter during the financial year (March 2022 to March 2023) |
|---------------------------------------|---|---|--|
| HSBC Global Equity Climate Change FOF | Very High | Very High | 0 |

- 11 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 12 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 13 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the year ended March 31, 2023**

part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/ RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.

- 15 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



L&T FMP Series (Erstwhile L&T Mutual Fund)

A close ended income Schemes

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, F1C, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

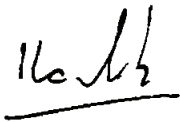
Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Schemes

➤ Fixed Term Series

L&T FMP 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 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| L&T FMP Series XVII - Plan B (1452 Days) | Date of Inception : 25 June, 2018 | |
|--|-----------------------------------|-------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | Since Inception | |
| | Amount (₹) | Returns (%) |
| L&T FMP Series XVII - Plan B (1452 Days) | 13,384 | 7.62% |
| CRISIL Composite Bond Fund Index | 13,237 | 7.32% |
| CRISIL 10 Year Gilt Index | 12,462 | 5.70% |

| L&T FMP Series XVIII - Plan B 1229 Days) | Date of Inception : 30 November, 2018 | |
|--|---------------------------------------|-------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | Since Inception | |
| | Amount (₹) | Returns (%) |
| L&T FMP Series XVIII - Plan B 1229 Days) | 12,873 | 7.80% |
| CRISIL Composite Bond Fund Index | 12,967 | 8.03% |
| CRISIL 10 Year Gilt Index | 12,123 | 5.89% |



| L&T FMP - SERIES XVIII PLAN D 1155 Days) | Date of Inception : 12 February, 2019 | |
|--|---------------------------------------|-------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | Since Inception | |
| | Amount (₹) | Returns (%) |
| L&T FMP - SERIES XVIII PLAN D 1155 Days) | 12,626 | 7.65% |
| CRISIL Composite Bond Fund Index | 12,743 | 7.97% |
| CRISIL 10 Year Gilt Index | 11,892 | 5.63% |

| L&T FMP - SERIES XVIII PLAN C (1178 Days) | Date of Inception : 18 February, 2019 | |
|--|---------------------------------------|-------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | Since Inception | |
| | Amount (₹) | Returns (%) |
| L&T FMP - SERIES XVIII PLAN C (1178 Days) | 12,759 | 7.85% |
| CRISIL Composite Bond Fund Index | 12,577 | 7.37% |
| CRISIL 10 Year Gilt Index | 11,836 | 5.37% |

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 Regular - 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|------------------------------|--|---|
| L&T FMP Series XVII - Plan B |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index : CRISIL Composite Bond Fund Index</p>  |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---|--|---|
| L&T FMP Series XVIII - Plan B 1229 Days |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index : CRISIL Composite Bond Fund Index</p>  |
| L&T FMP - Series XVIII Plan D 1155 Days |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index : CRISIL Composite Bond Fund Index</p>  |
| L&T FMP - Series XVII Plan C 1178 Days |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index : CRISIL Composite Bond Fund Index</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2022. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclicals and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

Trustees' Report

For the year ended March 31, 2023 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most of the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

Trustees' Report

For the year ended March 31, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|--|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| L&T FMP Series XVII - Plan C (1114 Days) **\$ | - | - | 1 | 6,777.19 |
| L&T FMP Series XVII Plan B (1452 Days) **\$ | - | - | 1 | 276,279.44 |
| L&T FMP Series XVIII - Plan A (1104 Days) **\$ | - | - | 1 | 19,959.93 |

** Schemes matured as on March 31, 2023

\$ Schemes acquired by erstwhile L&T Mutual Fund and thereafter acquisition of L&T Mutual Fund by HSBC Mutual Fund. These schemes have matured, prior to the acquisition by HSBC Mutual Fund and are disclosed for the purpose of unclaimed dividend/redemption amounts.

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| | | 2022-2023 | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|------------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Adviosorkhoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

(please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

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 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|---|---|---|--|
| L&T FMP Series XVII - Plan B (1452 days) | Low to Moderate | NA | NA |
| L&T FMP Series XVIII - Plan B (1229 days) | Low to Moderate | NA | NA |
| L&T FMP Series XVIII - Plan C (1178 days) | Low to Moderate | NA | NA |
| L&T FMP Series XVIII - Plan D (1155 days) | Low to Moderate | NA | NA |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note

Trustees' Report

For the year ended March 31, 2023 (Contd...)

the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|--|---|--|---|
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR : NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|----------------------------------|--------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|--------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report *(Contd...)*

To the Board of Trustees of HSBC Mutual Fund

L&T FMP - Series XVII - Plan B (1452 days)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **L&T FMP - Series XVII - Plan B (1452 days)** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations, and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report *(Contd...)*

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended March 31, 2023 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account, and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQZE9898

Place : Mumbai

Date : July 11, 2023

Independent Auditors' Report *(Contd...)*

To the Board of Trustees of HSBC Mutual Fund

L&T FMP – SERIES XVIII – Plan B (1229 days)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **L&T FMP – SERIES XVIII – Plan B (1229 days)** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations, and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report *(Contd...)*

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended March 31, 2023 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account, and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQZD8743

Place : Mumbai

Date : July 11, 2023

Independent Auditors' Report *(Contd...)*

To the Board of Trustees of HSBC Mutual Fund

L&T FMP Series XVIII - Plan C (1178 days)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **L&T FMP Series XVIII - Plan C (1178 days)** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations, and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report *(Contd...)*

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended March 31, 2023 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account, and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQZG7607

Place : Mumbai

Date : July 11, 2023

Independent Auditors' Report *(Contd...)*

To the Board of Trustees of HSBC Mutual Fund

L&T FMP Series XVIII - Plan D (1155 days)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **L&T FMP Series XVIII - Plan D (1155 days)** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations, and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records

Independent Auditors' Report *(Contd...)*

in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

Independent Auditors' Report *(Contd...)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended March 31, 2023 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Other Matter

The financial statements of the Scheme for the year ended March 31, 2022, were audited by another auditor whose report dated July 27, 2022, expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account, and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Trustees in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale
Partner
Membership No: 117812
UDIN: 23117812BGXQZF6985

Place : Mumbai
Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

L&T FMP SERIES XVII
- PLAN B (1452 DAYS)

| | As at March 31, 2023 | As at March 31, 2022 |
|---|-------------------------|-------------------------|
| LIABILITIES | | |
| Unit Capital | - | 22,224.43 |
| Reserves and Surplus | | |
| Unit Premium Reserves | - | - |
| Unrealised Appreciation Reserves | - | 172.93 |
| Other Reserves | - | 7,272.90 |
| Loans & borrowings | - | - |
| Current Liabilities and Provisions | | |
| Current Liabilities and Provisions | 0.52 | 5.84 |
| TOTAL | 0.52 | 29,676.10 |
| ASSETS | | |
| Investments | | |
| Listed Securities | | |
| Equity Shares | - | - |
| Preference Shares | - | - |
| Equity Linked Debentures | - | - |
| Other Debentures and Bonds | - | 27,246.33 |
| Securitised Debt Securities | - | - |
| Securities Awaiting Listing | | |
| Equity Shares | - | - |
| Preference Shares | - | - |
| Equity Linked Debentures | - | - |
| Other Debentures and Bonds | - | - |
| Securitised Debt Securities | - | - |
| Unlisted Securities | | |
| Equity Shares | - | - |
| Preference Shares | - | - |
| Equity Linked Debentures | - | - |
| Other Debentures and Bonds | - | - |
| Securitised Debt Securities | - | - |
| Government Securities | - | - |
| Treasury Bills | - | - |
| Commercial Papers | - | - |
| Certificate of Deposits | - | - |
| Bill Rediscounting | - | - |
| Units of Domestic Mutual Fund | - | - |
| Foreign Securities | - | - |
| Total Investments | - | 27,246.33 |
| Deposits | - | 21.24 |
| Other Current Assets | | |
| Cash and Bank Balance | 0.52 | 1.30 |
| TREPS/CBLO/Revesre REPO Lending | - | 618.92 |
| Others | - | 1,788.31 |
| Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | 0.52 | 29,676.10 |

Abridged Revenue Account for the Period ended March 31, 2023

Rs. in Lakhs

| | L&T FMP Series XVII - Plan B (1452 days) | |
|---|---|-------------------------------------|
| | April 01, 2022 to June 13, 2022 | April 01, 2021 to March 31, 2022 |
| INCOME AND GAINS | | |
| Dividends | - | - |
| Interest | 389.97 | 2,145.16 |
| Realised Gain /(Loss) on Foreign Exchange Transactions | - | - |
| Realised Gain/(Loss) on Interscheme sale of Investments | - | - |
| Realised Gain/(Loss) on External Sale/Redemption of Investments | 25.26 | 122.61 |
| Realised Gain /(Losses) on Derivative Transactions | - | - |
| Miscellaneous Income | - | - |
| TOTAL | (A) 415.23 | 2,267.77 |
| EXPENSES | | |
| Investment Management Fees | 19.76 | 99.53 |
| GST on Investment Management Fees | 3.56 | 17.92 |
| Transfer Agent Fees and Expenses | 0.53 | 2.49 |
| Custodian Fees and Expenses | 0.06 | 0.44 |
| Trusteeship Fees and Expenses | 0.04 | 0.20 |
| Audit Fees | 0.34 | 0.34 |
| Commission to Agents | - | - |
| Marketing and Publicity Expenses | 0.73 | 0.04 |
| Printing and Postage Expenses | 0.09 | 0.05 |
| Investor Education & Awareness | 1.21 | 5.83 |
| Listing Fees and Expenses | - | - |
| Other Operating Expenses | 0.01 | 0.27 |
| Less: Expenses to be Reimbursed by the Investment Manager | - | - |
| TOTAL | (B) 26.33 | 127.11 |
| Net Realised Gains/(Losses) for the Year | (A-B=C) 388.90 | 2,140.66 |
| Net Change in Unrealised Depreciation in Value of Investments | (D) - | 0.28 |
| Net Gains/(Losses) for the Year | (E=C-D) 388.90 | 2,140.94 |
| Net Change in Unrealised Appreciation in Value of Investments | (F) 172.93 | 969.68 |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | (E + F = G) 561.83 | 3,110.62 |
| Add : Balance transfer from Unrealised Appreciation | - | - |
| Less : Balance transfer to Unrealised Appreciation | (172.93) | (969.68) |
| Add/(Less) : Income Equalisation Reserve | - | - |
| Add : Balance Transferred from Unit Premium Reserve | - | - |
| Add : Balance Transferred from Reserve Fund | 7,272.91 | 5,131.96 |
| Total | 7,661.81 | 7,272.90 |
| Dividend Appropriation | | |
| Dividend Distributions | (5.67) | - |
| Dividend Distribution Tax thereon | - | - |
| Transfer to Reserve Fund | (7,656.14) | - |
| Balance Transferred to Reserve Fund | - | 7,272.90 |

Key Statistics for the year / period ended 31st March 2023

| | L&T FMP Series XVII - Plan B (1452 days) | |
|---|--|--|
| | Current Year/ period ended June 13, 2022 | Previous Year ended March 31, 2022 |
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Plan | 13.2902 | 12.7801 |
| Regular Plan - IDCW | 13.2903 | 12.7801 |
| Direct Plan IDCW | 13.4283 | 12.8799 |
| Direct Plan Growth | 13.4283 | 12.8793 |
| High | | |
| Regular Plan - Growth Plan | 13.3839 | 13.2902 |
| Regular Plan - IDCW | 13.3793 | 13.2903 |
| Direct Plan IDCW | 13.5252 | 13.4283 |
| Direct Plan Growth | 13.5300 | 13.4283 |
| Low | | |
| Regular Plan -Growth Plan | 13.2973 | 12.7865 |
| Regular Plan - IDCW | 10.0000 | 12.7865 |
| Direct Plan IDCW | 10.0000 | 12.8870 |
| Direct Plan Growth | 13.4358 | 12.8864 |
| End | | |
| Regular Plan - Growth Plan | 13.3839 | 13.2902 |
| Regular Plan - IDCW | 10.0000 | 13.2903 |
| Direct Plan IDCW | 10.0000 | 13.4283 |
| Direct Plan Growth | 13.5300 | 13.4283 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 29,881 | 29,670 |
| Average (AAuM) | 29,775 | 29,127 |
| 3. Gross income as % of AAuM ¹ | 1.39% | 7.79% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.55% | 0.55% |
| Direct Plan | 0.29% | 0.29% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.42% | 0.43% |
| Direct Plan | 0.20% | 0.22% |
| 5. Net Income as a percentage of AAuM ² | 1.31% | 7.35% |
| 6. Portfolio turnover ratio ³ | N.A. | N.A. |
| 7. Total IDCW per unit distributed during the year / period (plan wise) | | |
| Regular Plan - IDCW | 3.3838 | N.A. |
| Direct Plan - IDCW | 3.5301 | N.A. |

Key Statistics for the year / period ended 31st March 2023 (Contd...)

| | | L&T FMP Series XVII - Plan B (1452 days) | |
|------------------------------------|--|--|--|
| | | Current Year/ period ended June 13, 2022 | Previous Year ended March 31, 2022 |
| 8. Returns: | | | |
| a. Last One Year | | | |
| Scheme | | | |
| Regular Plan - Growth Option | | N.A. | 3.99% |
| Direct Plan - Growth Option | | N.A. | 4.26% |
| Benchmark | | N.A. | 4.48% |
| b. Since Inception | | | |
| Scheme | | | |
| Regular Plan - Growth Option | | 7.62% | 7.86% |
| Direct Plan - Growth Option | | 7.91% | 8.16% |
| Benchmark | | 5.70% | 8.67% |
| Benchmark (for Direct Plan) | | | |
| CRISIL Composite Bond Fund Index | | 5.70% | 8.67% |

1. Gross income = amount against (A) in the Revenue account i.e. Income.

2. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the Year/Period

3. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year/period.

4. AAUM = Average daily net assets

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

L&T FMP SERIES XVII - PLAN B (1452 DAYS)

1 Investments:-

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year/period ended March 31, 2023 and March 31, 2022 was NIL.
- 1.3. Investment in Associates and Group Companies as at the year/period ended March 31, 2023 and March 31, 2022.

Rupees)

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes (Rs.) |
|-----------------------------|-------------------------------|----------------|--|
| | | March 31, 2023 | |
| L&T Finance Limited | Fixed rates bonds - Corporate | - | - |
| L&T Housing Finance Limited | Fixed rates bonds - Corporate | - | - |

(Rupees)

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes (Rs.) |
|-----------------------------|-------------------------------|----------------|--|
| | | March 31, 2022 | |
| L&T Finance Limited | Fixed rates bonds - Corporate | 121,287,360 | 151,335,090 |
| L&T Housing Finance Limited | Fixed rates bonds - Corporate | - | - |

- 1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2023 and March 31, 2022.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2022 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year/Period March 31, 2023 and March 31, 2022 is as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|-------------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Bonds & Debentures | | | | |
| - Appreciation | - | - | 29,785,212 | 1.00% |
| - Depreciation | - | - | 12,492,131.00 | ~0.00 |
| Treasury Bills | | | | |
| - Appreciation | - | - | - | - |
| - Depreciation | - | - | - | - |

(~) - Indicates less than 0.01%

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

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

- 1.7. The aggregate value of securities purchased and sold during the financial year/period March 31, 2023 and March 31, 2022 is as below :

| Scheme Name | Purchases (Rs) | Percentage of average daily net assets | Sales (Rs) | Percentage of average daily net assets |
|--|----------------|--|------------------|--|
| | | | | |
| L&T FMP Series XVII - Plan B (1452 days) | – | – | 2,716,205,220.00 | 91.22% |

| Scheme Name | Purchases (Rs) | Percentage of average daily net assets | Sales (Rs) | Percentage of average daily net assets |
|--|----------------|--|------------------|--|
| | | | | |
| L&T FMP Series XVII - Plan B (1452 days) | 1,204,164,527 | 41.34% | 1,110,289,971.00 | 0.38% |

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Debt & Money Market Instruments and percentage to net assets is NIL .
- 2 Transactions covered by Regulation 25(8) of the SEBI Regulations with the associates of the Investment Manager of the Fund is NIL.
- 3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022.

| Description | 2022-23 | | | | |
|----------------------------|-----------------|--------------|-----------------|-----------------|---------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 125,403,353.700 | – | 125,403,353.700 | – | – |
| Regular Plan IDCW | 164,000.000 | – | 164,000.000 | – | – |
| Direct Plan Growth Option | 96,673,541.000 | – | 96,673,541.000 | – | – |
| Direct Plan IDCW | 3,400.000 | – | 3,400.000 | – | – |
| 2021-22 | | | | | |
| Regular Plan Growth Option | 125,403,353.700 | – | – | 125,403,353.700 | 1,254,033,537 |
| Regular Plan IDCW | 164,000.000 | – | – | 164,000.000 | 1,640,000 |
| Direct Plan Growth Option | 96,673,541.000 | – | – | 96,673,541.000 | 966,735,410 |
| Direct Plan IDCW | 3,400.000 | – | – | 3,400.000 | 34,000 |

- 5 Prior year amounts have been re-grouped and reclassified, wherever applicable, to confirm to current year's presentation.
- 6 There were no contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than management fee are inclusive of GST wherever applicable.

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

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

- 8 Pursuant to the SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, with effect from April 01, 2021, the Dividend option(s) in the schemes of L&T Mutual Fund shall be renamed in the following manner:

| Option / Plan | Name |
|------------------------|---|
| Dividend Payout | Payout of Income Distribution cum capital withdrawal option |
| Dividend Re-investment | Reinvestment of Income Distribution cum capital withdrawal option |
| Dividend Transfer Plan | Transfer of Income Distribution cum capital withdrawal plan |

Investors may refer to addendum no. 56 dated March 26, 2021 uploaded on the website of the AMC i.e www.ltfs.com for details of the existing and revised names of the dividend options under the schemes of L&T Mutual Fund.

- 9 Changes in Risk-o-meter during the financial year 2022-2023

| Scheme name | Riskometer_Portfolio Period | | Number of changes in Risk-o-meter during the period then ended (Apr-22 to Maturity Dates) |
|--|--|--|---|
| | Risk-o-meter level at start of the financial year - April 2022 | Risk-o-meter level at end of the period then ended | |
| L&T FMP Series XVII - Plan B (1452 days) | Low to Moderate | NA | NA |

*Note - SEBI had vide its letter no. SEBI/HO/IMD-II/DF3/OW/2021/1566/1 dated January 19, 2021 clarified that annual disclosure as per point 2i and 2h read with clause 5 of the SEBI circular on Product Labeling in Mutual Fund schemes – Risk-o-meter dated October 5, 2020 shall be as per the riskometers published post the date of the SEBI circular dated Oct 5, 2020. Accordingly, the annual disclosure pertaining to riskometers of the Schemes of L&T Mutual Fund is done from December 2020 to March 2021 for the FY 2020-21.

- 10 Pursuant to the SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, the existing debt schemes of L&T Mutual Fund (“the Fund”) have been classified in terms of Potential Risk Class matrix consisting of parameters based on maximum interest rate risk (measured by Macaulay Duration viz. MD of the scheme) and maximum credit risk (measured by Credit Risk Value viz. CRV of the scheme). Accordingly, the details of Potential Risk Class matrix of schemes are given in below:

| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
|---|--------------------------|--------------------|---------------------------|
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | AI | | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | | | |
| A close-ended debt fund. A relatively low interest rate risk and relatively low credit risk | | | |

- 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | L&T FMP SERIES XVIII – PLAN B 1229 DAYS | |
|---|--|-------------------------|
| | As at March 31, 2023 | As at March 31, 2022 |
| LIABILITIES | | |
| Unit Capital | – | 19,126.76 |
| Reserves and Surplus | | |
| Unit Premium Reserves | – | – |
| Unrealised Appreciation Reserves | – | – |
| Other Reserves | – | 5,631.14 |
| Loans & borrowings | – | – |
| Current Liabilities and Provisions | | |
| Current Liabilities and Provisions | 0.39 | 2.95 |
| TOTAL | 0.39 | 24,760.85 |
| ASSETS | | |
| Investments | | |
| Listed Securities | | |
| Equity Shares | – | – |
| Preference Shares | – | – |
| Equity Linked Debentures | – | – |
| Other Debentures and Bonds | – | 6,316.28 |
| Securitised Debt Securities | – | – |
| Securities Awaiting Listing | | |
| Equity Shares | – | – |
| Preference Shares | – | – |
| Equity Linked Debentures | – | – |
| Other Debentures and Bonds | – | – |
| Securitised Debt Securities | – | – |
| Unlisted Securities | | |
| Equity Shares | – | – |
| Preference Shares | – | – |
| Equity Linked Debentures | – | – |
| Other Debentures and Bonds | – | – |
| Securitised Debt Securities | – | – |
| Government Securities | – | – |
| Treasury Bills | – | – |
| Commercial Papers | – | – |
| Certificate of Deposits | – | – |
| Bill Rediscounting | – | – |
| Units of Domestic Mutual Fund | – | – |
| Foreign Securities | – | – |
| Total Investments | – | 6,316.28 |
| Deposits | – | 94.19 |
| Other Current Assets | | |
| Cash and Bank Balance | 0.36 | 10.52 |
| TREPS/CBLO/Revesre REPO Lending | – | 18,305.18 |
| Others | 0.03 | 34.68 |
| Deferred Revenue Expenditure (to the extent not written off) | – | – |
| TOTAL | 0.39 | 24,760.85 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the period ended March 31, 2023

Rs. in Lakhs

L&T FMP SERIES XVIII
- PLAN B 1229 DAYSApril 01, 2022 to
April 11, 2022 April 01, 2021 to
March 31, 2022**INCOME AND GAINS**

| | | |
|---|------------------|-----------------|
| Dividends | - | - |
| Interest | 29.47 | 1,764.14 |
| Realised Gain/(Loss) on Foreign Exchange Transactions | - | - |
| Realised Gain/(Loss) on Interscheme sale of Investments | - | - |
| Realised Gain/(Loss) on External Sale/Redemption of Investments | (5.53) | (138.94) |
| Realised Gain/(Losses) on Derivative Transactions | - | - |
| Miscellaneous Income | - | - |
| TOTAL | (A) 23.94 | 1,625.20 |

EXPENSES

| | | |
|-----------------------------------|-----------------|--------------|
| Investment Management Fees | 0.09 | 15.92 |
| GST on Investment Management Fees | 0.02 | 2.87 |
| Transfer Agent Fees and Expenses | 0.06 | 2.07 |
| Custodian Fees and Expenses | 0.01 | 0.33 |
| Trusteeship Fees and Expenses | 0.01 | 0.17 |
| Audit Fees | 0.28 | 0.28 |
| Commission to Agents | 0.38 | 13.70 |
| Marketing and Publicity Expenses | 0.24 | 0.03 |
| Printing and Postage Expenses | 0.01 | 0.01 |
| Investor Education & Awareness | 0.15 | 4.86 |
| Listing Fees and Expenses | - | - |
| Other Operating Expenses | - | 0.20 |
| TOTAL | (B) 1.25 | 40.44 |

NET REALISED GAINS/(LOSSES) FOR THE YEAR**(A-B=C) 22.69 1,584.76**Net Change in Unrealised Depreciation
in Value of Investments**(D) 1.98 (1.57)****NET GAINS/(LOSSES) FOR THE YEAR****(E=C-D) 24.67 1,583.19**Net Change in Unrealised Appreciation
in Value of Investments**(F) - 632.23****NET SURPLUS/(DEFICIT) FOR THE YEAR****(E + F = G) 24.67 2,215.42**

Add : Balance transfer from Unrealised Appreciation

Less : Balance transfer to Unrealised Appreciation

Add/(Less) : Income Equalisation Reserve

Add : Balance Transferred from Unit Premium Reserve

Add : Balance Transferred from Reserve Fund

5,631.14 4,047.95**Total****5,655.81 5,631.14****Dividend Appropriation**

Dividend Distributions

(0.20) -

Dividend Distribution Tax thereon

- -

Transfer to Reserve Fund

(5,655.61) -**Balance Transferred to Reserve Fund****- 5,631.14**

Notes to Accounts - Annexure I

Key Statistics for the year / period ended 31st March 2023

| | L&T FMP SERIES XVIII - PLAN (B 1229 DAYS) | |
|---|--|--|
| | Current Period ended April 11, 2022 | Previous Year ended March 31, 2022 |
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Plan | 12.8608 | 12.3908 |
| Regular Plan - IDCW | 12.8607 | 12.3905 |
| Direct Plan - IDCW | N.A.* | N.A.* |
| Direct Plan - Growth | 12.9685 | 12.4634 |
| High | | |
| Regular Plan - Growth Plan | 12.8729 | 12.8608 |
| Regular Plan - IDCW | 12.8696 | 12.8607 |
| Direct Plan - IDCW | N.A.* | N.A.* |
| Direct Plan - Growth | 12.9817 | 12.9685 |
| Low | | |
| Regular Plan - Growth Plan | 12.8655 | 12.3948 |
| Regular Plan - IDCW | 10.0000 | 12.3945 |
| Direct Plan - IDCW | N.A.* | N.A. |
| Direct Plan - Growth | 12.9737 | 12.4679 |
| End | | |
| Regular Plan - Growth Plan | 12.8729 | 12.8608 |
| Regular Plan - IDCW | 10.0000 | 12.8607 |
| Direct Plan - IDCW | N.A.* | N.A.* |
| Direct Plan - Growth | 12.9817 | 12.9685 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 24,782 | 24,758 |
| Average (AAuM) | 24,772 | 24,307 |
| 3. Gross income as % of AAuM ¹ | 0.10% | 6.69% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.36% | 0.36% |
| Direct Plan | 0.11% | 0.11% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.03% | 0.07% |
| Direct Plan | 0.01% | 0.07% |
| 5. Net Income as a percentage of AAuM ² | 0.09% | 6.52% |
| 6. Portfolio turnover ratio ³ | N.A. | N.A. |
| 7. Total IDCW per unit distributed during the year/period (plan wise) | | |
| Regular Plan - IDCW | 2.8728 | N.A. |
| Direct Plan - IDCW | N.A. | N.A. |

Key Statistics for the year / period ended 31st March 2023 (Contd...)

| | | L&T FMP SERIES XVIII - PLAN (B 1229 DAYS) | |
|---------------------------|-----------------------------|--|--|
| | | Current Period ended April 11, 2022 | Previous Year ended March 31, 2022 |
| 8. Returns: | | | |
| a. Last One Year | | | |
| Scheme | | | |
| | Regular Plan - Growth Plan | N.A. | 3.79% |
| | Direct Plan - Growth Option | N.A. | 4.05% |
| Benchmark | | N.A. | 4.48% |
| b. Since Inception | | | |
| Scheme | | | |
| | Regular Plan - Growth Plan | 7.80% | 7.84% |
| | Direct Plan - Growth Option | 8.07% | 8.11% |
| Benchmark | | 8.03% | 8.50% |
| | Benchmark (for Direct Plan) | 8.03% | 8.50% |
| | Benchmark Index | CRISIL Composite Bond Fund Index | |

* Nil Investors as on year end

¹ Gross income = amount against (A) in the Revenue account i.e. Income.

² Net income = amount against (C) in the Revenue account i.e. net realised gains/(losses) for the year/period

³ Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.

⁴ AAUM = Average daily net assets

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

L&T FMP SERIES XVIII - PLAN (B 1229 DAYS)

1 Investments:-

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 was NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 was NIL.
- 1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2023 and March 31, 2022.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year March 31, 2023 and March 31, 2022 is as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|-------------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Bonds & Debentures | | | | |
| – Appreciation | – | – | 187,865 | 0.01% |
| – Depreciation | – | – | 385,527 | 0.02% |
| Treasury Bills | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | – | – |

- 1.7. The aggregate value of securities purchased and sold during the financial year March 31, 2023 and March 31, 2022 is as below :

| Scheme Name | Purchases (Rs) | Percentage of average daily net assets | Sales (Rs) | Percentage of average daily net assets |
|---|----------------|--|-------------|--|
| | 2022-23 | | | |
| L&T FMP Series XVIII - Plan B (1229 days) | – | – | 631,683,780 | 25.50% |

| Scheme Name | Purchases (Rs) | Percentage of average daily net assets | Sales (Rs) | Percentage of average daily net assets |
|---|----------------|--|---------------|--|
| | 2021-22 | | | |
| L&T FMP Series XVIII - Plan B (1229 days) | 145,412,276 | 5.98% | 1,850,865,450 | 0.76% |

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Debt & Money Market Instruments and percentage to net assets is NIL.
2. Transactions covered by Regulation 25(8) of the SEBI Regulations with the associates of the Investment Manager of the Fund is NIL.
3. There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023**

4 Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|----------------------------|-----------------|--------------|-----------------|-----------------|---------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 43,356,135.054 | – | 43,356,135.054 | – | 0 |
| Regular Plan IDCW | 7,050.000 | – | 7,050.000 | – | 0 |
| Direct Plan Growth Option | 147,904,421.652 | – | 147,904,421.652 | – | 0 |
| Direct Plan IDCW | – | – | – | – | – |
| | 2021-22 | | | | |
| Regular Plan Growth Option | 43,356,135.054 | – | – | 43,356,135.054 | 433,561,351 |
| Regular Plan IDCW | 7,050.000 | – | – | 7,050.000 | 70,500 |
| Direct Plan Growth Option | 147,904,421.652 | – | – | 147,904,421.652 | 1,479,044,217 |
| Direct Plan IDCW | – | – | – | – | – |

- 5 Prior year amounts have been re-grouped and reclassified, wherever applicable, to confirm to current year's presentation.
- 6 There were no contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than management fee are inclusive of GST wherever applicable.
- 8 Pursuant to the SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, with effect from April 01, 2021, the Dividend option(s) in the schemes of L&T Mutual Fund shall be renamed in the following manner:

| Option / Plan | Name |
|------------------------|---|
| Dividend Payout | Payout of Income Distribution cum capital withdrawal option |
| Dividend Re-investment | Reinvestment of Income Distribution cum capital withdrawal option |
| Dividend Transfer Plan | Transfer of Income Distribution cum capital withdrawal plan |

Investors may refer to addendum no. 56 dated March 26, 2021 uploaded on the website of the AMC i.e www.ltf.com for details of the existing and revised names of the dividend options under the schemes of L&T Mutual Fund.

9 **Changes in Risk-o-meter during the financial year 2022-2023**

| Scheme name | Riskometer_Portfolio Period | | Number of changes in Risk-o-meter during the period then ended (Apr-22 to Maturity Dates) |
|---|--|--|---|
| | Risk-o-meter level at start of the financial year - April 2022 | Risk-o-meter level at end of the period then ended | |
| L&T FMP Series XVIII - Plan B (1229 days) | Low to Moderate | NA | NA |

*Note - SEBI had vide its letter no. SEBI/HO/IMD-IV/DF3/OW/2021/1566/1 dated January 19, 2021 clarified that annual disclosure as per point 2i and 2h read with clause 5 of the SEBI circular on Product Labeling in Mutual Fund schemes – Risk-o-meter dated October 5, 2020 shall be as per the riskometers published post the date of the SEBI circular dated Oct 5, 2020. Accordingly, the annual disclosure pertaining to riskometers of the Schemes of L&T Mutual Fund is done from December 2020 to March 2021 for the FY 2020-21.

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

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

- 10 Pursuant to the SEBI circular no. SEBI/HO/MD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, the existing debt schemes of L&T Mutual Fund (“the Fund”) have been classified in terms of Potential Risk Class matrix consisting of parameters based on maximum interest rate risk (measured by Macaulay Duration viz. MD of the scheme) and maximum credit risk (measured by Credit Risk Value viz. CRV of the scheme). Accordingly, the details of Potential Risk Class matrix of schemes are given in below:

| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
|---|--------------------------|--------------------|---------------------------|
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | AI | | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | | | |
| A close-ended debt fund. A relatively low interest rate risk and relatively low credit risk | | | |

- 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

L&T FMP SERIES XVIII
- PLAN C (1178 DAYS)

| | As at March 31, 2023 | As at March 31, 2022 |
|---|-------------------------|-------------------------|
| LIABILITIES | | |
| Unit Capital | - | 3,293.47 |
| Reserves and Surplus | | |
| Unit Premium Reserves | - | - |
| Unrealised Appreciation Reserves | - | 80.86 |
| Other Reserves | - | 819.76 |
| Loans & borrowings | - | - |
| Current Liabilities and Provisions | | |
| Current Liabilities and Provisions | 0.07 | 2.13 |
| TOTAL | 0.07 | 4,196.22 |
| ASSETS | | |
| Investments | | |
| Listed Securities | | |
| Equity Shares | - | - |
| Preference Shares | - | - |
| Equity Linked Debentures | - | - |
| Other Debentures and Bonds | - | 2,743.11 |
| Securitized Debt Securities | - | - |
| Securities Awaiting Listing | | |
| Equity Shares | - | - |
| Preference Shares | - | - |
| Equity Linked Debentures | - | - |
| Other Debentures and Bonds | - | - |
| Securitized Debt Securities | - | - |
| Unlisted Securities | | |
| Equity Shares | - | - |
| Preference Shares | - | - |
| Equity Linked Debentures | - | - |
| Other Debentures and Bonds | - | 300.94 |
| Securitized Debt Securities | - | - |
| Government Securities | - | - |
| Treasury Bills | - | - |
| Commercial Papers | - | - |
| Certificate of Deposits | - | - |
| Bill Rediscounting | - | - |
| Units of Domestic Mutual Fund | - | - |
| Foreign Securities | - | - |
| Total Investments | - | 3,044.05 |
| Deposits | - | 8.88 |
| Other Current Assets | | |
| Cash and Bank Balance | 0.07 | 1.54 |
| TREPS/CBLO/Revesre REPO Lending | - | 1,043.25 |
| Others | - | 98.50 |
| Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | 0.07 | 4,196.22 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the Period ended March 31, 2023

Rs. in Lakhs

| L&T FMP SERIES XVIII - PLAN C (1178 DAYS) | | |
|--|-----------------------------------|-------------------------------------|
| | April 01, 2022 to May 10, 2022 | April 01, 2021 to March 31, 2022 |
| INCOME AND GAINS | | |
| Dividends | - | - |
| Interest | 22.19 | 276.59 |
| Realised Gain /(Loss) on Foreign Exchange Transactions | - | - |
| Realised Gain/(Loss) on Interscheme sale of Investments | | |
| Realised Gain/(Loss) on External Sale/Redemption of Investments | 77.10 | 13.56 |
| Realised Gain /(Losses) on Derivative Transactions | - | - |
| Miscellaneous Income | - | - |
| TOTAL | (A) 99.29 | 290.15 |
| EXPENSES | | |
| Investment Management Fees | 1.15 | 8.58 |
| GST on Investment Management Fees | 0.21 | 1.54 |
| Transfer Agent Fees and Expenses | 0.04 | 0.35 |
| Custodian Fees and Expenses | 0.01 | 0.06 |
| Trusteeship Fees and Expenses | - | 0.03 |
| Audit Fees | 0.05 | 0.05 |
| Commission to Agents | 0.19 | 6.43 |
| Marketing and Publicity Expenses | 0.28 | 0.02 |
| Printing and Postage Expenses | - | 0.05 |
| Investor Education & Awareness | 0.09 | 0.82 |
| Listing Fees and Expenses | | |
| Other Operating Expenses | - | 0.08 |
| TOTAL | (B) 2.02 | 18.01 |
| NET REALISED GAINS /(LOSSES) FOR THE YEAR | (A-B=C) 97.27 | 272.14 |
| Net Change in Unrealised Depreciation in Value of Investments | (D) - | 0.13 |
| Net Gains /(Losses) for the Year | (E=C-D) 97.27 | 272.27 |
| Net Change in Unrealised Appreciation in Value of Investments | (F) 80.86 | 84.68 |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | (E + F = G) 178.13 | 356.95 |
| Add : Balance transfer from Unrealised Appreciation | - | - |
| Less : Balance transfer to Unrealised Appreciation | (80.86) | (84.68) |
| Add/(Less) : Income Equalisation Reserve | - | - |
| Add : Balance Transferred from Unit Premium Reserve | - | - |
| Add : Balance Transferred from Reserve Fund | 819.76 | 547.48 |
| Total | 917.03 | 819.75 |
| Dividend Appropriation | | |
| Dividend Distributions | (0.21) | - |
| Dividend Distribution Tax thereon | - | - |
| Transfer to Reserve Fund | (916.82) | - |
| Balance Transferred to Reserve Fund | - | 819.75 |

Notes to Accounts - Annexure I

Key Statistics for the year / period ended 31st March 2023

| | L&T FMP SERIES XVIII - PLAN C (1178 DAYS) | |
|---|--|--|
| | Current Period ended May 10, 2022 | Previous Year ended March 31, 2022 |
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Plan | 12.7103 | 12.1492 |
| Regular Plan - IDCW | 12.7107 | 12.1597 |
| Direct Plan IDCW | 12.8016 | 12.2084 |
| Direct Plan Growth | 12.8016 | 12.2084 |
| High | | |
| Regular Plan - Growth Plan | 12.7591 | 12.7103 |
| Regular Plan - IDCW | 12.7579 | 12.7107 |
| Direct Plan IDCW | 12.8526 | 12.8016 |
| Direct Plan Growth | 12.8540 | 12.8016 |
| Low | | |
| Regular Plan - Growth Plan | 12.7160 | 12.1578 |
| Regular Plan - IDCW | 10.0000 | 12.1684 |
| Direct Plan IDCW | 10.0000 | 12.2174 |
| Direct Plan Growth | 12.8077 | 12.2174 |
| End | | |
| Regular Plan - Growth Plan | 12.7591 | 12.7103 |
| Regular Plan - IDCW | 10.0000 | 12.7107 |
| Direct Plan IDCW | 10.0000 | 12.8016 |
| Direct Plan Growth | 12.8540 | 12.8016 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 4,210 | 4,194 |
| Average (AAuM) | 4,203 | 4,106 |
| 3. Gross income as % of AAuM ¹ | 2.36% | 7.07% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.50% | 0.50% |
| Direct Plan | 0.27% | 0.27% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.29% | 0.21% |
| Direct Plan | 0.14% | 0.20% |
| 5. Net Income as a percentage of AAuM ² | 2.31% | 6.63% |
| 6. Portfolio turnover ratio ³ | N.A. | N.A. |
| 7. Total IDCW per unit distributed during the year/period (plan wise) | | |
| Regular Plan - IDCW | 2.75924 | N.A. |
| Direct Plan - IDCW | 2.85403 | N.A. |

Key Statistics for the year / period ended 31st March 2023 (Contd...)

| | | L&T FMP SERIES XVIII - PLAN C (1178 DAYS) | |
|----|------------------------------|--|--|
| | | Current Period ended May 10, 2022 | Previous Year ended March 31, 2022 |
| 8. | Returns: | | |
| a. | Last One Year | | |
| | Scheme | | |
| | Regular Plan - Growth Option | N.A. | 4.62% |
| | Direct Plan - Growth Option | N.A. | 4.86% |
| | Benchmark | N.A. | 4.48% |
| b. | Since Inception | | |
| | Scheme | | |
| | Regular Plan - Growth Option | 7.85% | 8.00% |
| | Direct Plan - Growth Option | 8.10% | 8.25% |
| | Benchmark | 7.37% | 8.51% |
| | Benchmark (for Direct Plan) | 7.37% | 8.51% |
| | Benchmark Index | | CRISIL Composite Bond Fund Index |

¹ Gross income = amount against (A) in the Revenue account i.e. Income.

² Net income = amount against (C) in the Revenue account i.e. net realised gains/(losses) for the year/period

³ Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year/period.

⁴ AAUM = Average daily net assets

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

L&T FMP SERIES XVIII - PLAN C (1178 DAYS)

1 Investments:-

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2023 and March 31, 2022 was NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2023 and March 31, 2022 is as under:

(Rupees)

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes |
|----------------------------|-------------------------------|----------------|--------------------------------------|
| | | March 31, 2023 | |
| L&T Finance Limited | Fixed rates bonds - Corporate | – | – |
| Kudgi Transmission Limited | Fixed rates bonds - Corporate | – | – |

| Issuer | Instrument Type | Amount | Aggregate Investments by all schemes |
|----------------------------|-------------------------------|----------------|--------------------------------------|
| | | March 31, 2022 | |
| L&T Finance Limited | Fixed rates bonds - Corporate | 30,047,730 | 151,335,090 |
| Kudgi Transmission Limited | Fixed rates bonds - Corporate | 30,030,210 | 30,030,210 |

- 1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2023.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial year March 31, 2023 and March 31, 2022 is as under :

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|-------------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Bonds & Debentures | | | | |
| – Appreciation | – | – | 8,388,372 | 2.00% |
| – Depreciation | – | – | 301,960 | 0.07% |
| Treasury Bills | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | – | – |

- 1.7. The aggregate value of securities purchased and sold during the financial year March 31,2022 and March 31, 2023 is as below :

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

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

| Scheme Name | Purchases (Rs) | Percentage of average daily net assets | Sales (Rs) | Percentage of average daily net assets |
|---|----------------|--|-------------|--|
| | | | | |
| L&T FMP Series XVIII - Plan C (1178 days) | – | – | 304,147,333 | 72.37% |
| L&T FMP Series XVIII - Plan C (1178 days) | 2021-22 | | | |
| | 129,824,907 | 31.62% | 201,000,000 | 48.96% |

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Debt & Money Market Instruments and percentage to net assets is NIL.
2. Transactions covered by Regulation 25(8) of the SEBI Regulations with the associates of the Investment Manager of the Fund is NIL.
3. There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
4. Unit Capital movement during the year ended March 31, 2023 and March 31, 2022:

| Description | 2022-23 | | | | |
|----------------------------|----------------|--------------|----------------|----------------|-------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 24,175,866.772 | – | 24,175,866.772 | – | – |
| Regular Plan IDCW | 500.000 | – | 500.000 | – | – |
| Direct Plan Growth Option | 8,751,646.696 | – | 8,751,646.696 | – | – |
| Direct Plan IDCW | 6,700.000 | – | 6,700.000 | – | – |
| | 2021-22 | | | | |
| Regular Plan Growth Option | 24,175,866.772 | – | – | 24,175,866.772 | 241,758,668 |
| Regular Plan IDCW | 500.000 | – | – | 500.000 | 5,000 |
| Direct Plan Growth Option | 8,751,646.696 | – | – | 8,751,646.696 | 87,516,467 |
| Direct Plan IDCW | 6,700.000 | – | – | 6,700.000 | 67,000 |

5. Prior year amounts have been re-grouped and reclassified, wherever applicable, to confirm to current year's presentation.
6. There were no contingent liabilities for the year ended March 31, 2023.
7. Expenses other than management fee are inclusive of GST wherever applicable.
8. Pursuant to the SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, with effect from April 01, 2021, the Dividend option(s) in the schemes of L&T Mutual Fund shall be renamed in the following manner:

| Option / Plan | Name |
|------------------------|---|
| Dividend Payout | Payout of Income Distribution cum capital withdrawal option |
| Dividend Re-investment | Reinvestment of Income Distribution cum capital withdrawal option |
| Dividend Transfer Plan | Transfer of Income Distribution cum capital withdrawal plan |

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

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

Investors may refer to addendum no.56 dated March 26, 2021 uploaded on the website of the AMC i.e www.ltf.com for details of the existing and revised names of the dividend options under the schemes of L&T Mutual Fund.

9 Changes in Risk-o-meter during the financial year 2022-2023

| Scheme name | Riskometer Portfolio Period | | Number of changes in Risk-o-meter during FY22-23 (Apr - 22 to Mar-23) |
|---|--|--|---|
| | Risk-o-meter level at start of the financial year - April 2022 | Risk-o-meter level at end of the financial year - March 2023 | |
| L&T FMP Series XVIII - Plan C (1178 days) | Low to Moderate | NA | NA |

*Note - SEBI had vide its letter no. SEBI/HO/IMD-II/DF3/OW/2021/1566/1 dated January 19, 2021 clarified that annual disclosure as per point 2i and 2h read with clause 5 of the SEBI circular on Product Labeling in Mutual Fund schemes – Risk-o-meter dated October 5, 2020 shall be as per the riskometers published post the date of the SEBI circular dated Oct 5, 2020. Accordingly, the annual disclosure pertaining to riskometers of the Schemes of L&T Mutual Fund is done from December 2020 to March 2021 for the FY 2020-21.

10 Pursuant to the SEBI circular no. SEBI/HO/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, the existing debt schemes of L&T Mutual Fund (“the Fund”) have been classified in terms of Potential Risk Class matrix consisting of parameters based on maximum interest rate risk (measured by Macaulay Duration viz. MD of the scheme) and maximum credit risk (measured by Credit Risk Value viz. CRV of the scheme). Accordingly, details of Potential Risk Class matrix of schemes are given in below:

| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
|--|--------------------------|--------------------|---------------------------|
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | | BI | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | | | |
| A close-ended debt fund. A relatively low interest rate risk and moderate credit risk. | | | |

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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| L&T FMP SERIES XVIII - PLAN D (1155 DAYS) | | |
|---|-------------------------|-------------------------|
| | As at March 31, 2023 | As at March 31, 2022 |
| LIABILITIES | | |
| Unit Capital | - | 4,339.73 |
| Reserves and Surplus | | |
| Unit Premium Reserves | - | - |
| Unrealised Appreciation Reserves | - | - |
| Other Reserves | - | 1,155.44 |
| Loans & borrowings | - | - |
| Current Liabilities and Provisions | | |
| Current Liabilities and Provisions | 0.11 | 0.52 |
| TOTAL | 0.11 | 5,495.69 |
| ASSETS | | |
| Investments | | |
| Listed Securities | | |
| Equity Shares | - | - |
| Preference Shares | - | - |
| Equity Linked Debentures | - | - |
| Other Debentures and Bonds | - | 1,710.55 |
| Securitised Debt Securities | - | - |
| Securities Awaiting Listing | | |
| Equity Shares | - | - |
| Preference Shares | - | - |
| Equity Linked Debentures | - | - |
| Other Debentures and Bonds | - | - |
| Securitised Debt Securities | - | - |
| Unlisted Securities | | |
| Equity Shares | - | - |
| Preference Shares | - | - |
| Equity Linked Debentures | - | - |
| Other Debentures and Bonds | - | - |
| Securitised Debt Securities | - | - |
| Government Securities | - | - |
| Treasury Bills | - | - |
| Commercial Papers | - | - |
| Certificate of Deposits | - | - |
| Bill Rediscounting | - | - |
| Units of Domestic Mutual Fund | - | - |
| Foreign Securities | - | - |
| Total Investments | - | 1,710.55 |
| Deposits | - | 19.38 |
| Other Current Assets | | |
| Cash and Bank Balance | 0.11 | 2.95 |
| TREPS/CBLO/Revesre REPO Lending | - | 3,752.55 |
| Others | - | 10.26 |
| Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | 0.11 | 5,495.69 |

Notes to Accounts - Annexure I

Abridged Revenue Account for the Period ended March 31, 2023

Rs. in Lakhs

L&T FMP SERIES XVIII
- PLAN D (1155 DAYS)

April 01, 2022 to April 11, 2022 April 01, 2021 to March 31, 2022

INCOME AND GAINS

| | | |
|---|-----------------|---------------|
| Dividends | - | - |
| Interest | 6.75 | 374.99 |
| Realised Gain/(Loss) on Foreign Exchange Transactions | - | - |
| Realised Gain/(Loss) on Interscheme sale of Investments | - | - |
| Realised Gain/(Loss) on External Sale/Redemption of Investments | (1.64) | (9.40) |
| Realised Gain/(Losses) on Derivative Transactions | - | - |
| Miscellaneous Income | - | - |
| TOTAL | (A) 5.11 | 365.59 |

EXPENSES

| | | |
|-----------------------------------|-----------------|-------------|
| Investment Management Fees | 0.01 | 3.48 |
| GST on Investment Management Fees | - | 0.63 |
| Transfer Agent Fees and Expenses | 0.01 | 0.46 |
| Custodian Fees and Expenses | 0.01 | 0.07 |
| Trusteeship Fees and Expenses | - | 0.04 |
| Audit Fees | 0.06 | 0.06 |
| Commission to Agents | 0.04 | 1.50 |
| Marketing and Publicity Expenses | 0.05 | 0.02 |
| Printing and Postage Expenses | - | 0.01 |
| Investor Education & Awareness | 0.03 | 1.08 |
| Listing Fees and Expenses | - | - |
| Other Operating Expenses | - | 0.08 |
| TOTAL | (B) 0.21 | 7.43 |

NET REALISED GAINS/(LOSSES) FOR THE YEAR (A-B=C) 4.90 358.16**Net Change in Unrealised Depreciation in Value of Investments (D) 0.67 (0.67)****Net Gains/(Losses) for the Year (E=C-D) 5.57 357.49****Net Change in Unrealised Appreciation in Value of Investments (F) - 145.09****NET SURPLUS/(DEFICIT) FOR THE YEAR (E + F = G) 5.57 502.58**

Add : Balance transfer from Unrealised Appreciation - -

Less : Balance transfer to Unrealised Appreciation - (145.09)

Add/(Less) : Income Equalisation Reserve - -

Add : Balance Transferred from Unit Premium Reserve - -

Add : Balance Transferred from Reserve Fund 1,155.42 797.95

Total 1,160.99 1,155.44**Dividend Appropriation - -**

Dividend Distributions (0.58) -

Dividend Distribution Tax thereon - -

Balance Transferred to Reserve Fund (1,160.41) -

Balance Transferred to Reserve Fund - 1,155.44

Notes to Accounts - Annexure I

Key Statistics for the year / period ended 31st March 2023

L&T FMP SERIES XVIII - PLAN D (1155 DAYS)

| | Current Period ended April 11, 2022 | Previous Year ended March 31, 2022 |
|--|---|--|
|--|---|--|

| | | |
|---|---------|---------|
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Plan | 12.6140 | 12.1413 |
| Regular Plan - IDCW | 12.6231 | 12.1413 |
| Direct Plan IDCW | 12.6735 | 12.1824 |
| Direct Plan Growth | 12.6864 | 12.1803 |
| High | | |
| Regular Plan - Growth Plan | 12.6263 | 12.6140 |
| Regular Plan - IDCW | 12.6231 | 12.6140 |
| Direct Plan IDCW | 12.6830 | 12.6735 |
| Direct Plan Growth | 12.6864 | 12.6735 |
| Low | | |
| Regular Plan - Growth Plan | 12.6188 | 12.1455 |
| Regular Plan - IDCW | 10.0000 | 12.1455 |
| Direct Plan IDCW | 10.0000 | 12.1869 |
| Direct Plan Growth | 12.6786 | 12.1847 |
| End | | |
| Regular Plan - Growth Plan | 12.6263 | 12.6140 |
| Regular Plan - IDCW | 10.0000 | 12.6140 |
| Direct Plan IDCW | 10.0000 | 12.6735 |
| Direct Plan Growth | 12.6864 | 12.6735 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 5,500 | 5,495 |
| Average (AAuM) | 5,498 | 5,394 |
| 3. Gross income as % of AAuM ¹ | 0.09% | 6.78% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (plan wise) | | |
| Regular Plan | 0.26% | 0.26% |
| Direct Plan | 0.11% | 0.11% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan | 0.02% | 0.06% |
| Direct Plan | 0.00%* | 0.06% |
| 5. Net Income as a percentage of AAuM ² | 0.09% | 6.64% |
| 6. Portfolio turnover ratio ³ | N.A. | N.A. |
| 7. Total IDCW per unit distributed during the year/period (plan wise) | | |
| Regular Plan - IDCW | 2.6263 | N.A. |
| Direct Plan - IDCW | 2.6864 | N.A. |

Key Statistics for the year / period ended 31st March 2023 (Contd...)

| | | L&T FMP SERIES XVIII - PLAN D (1155 DAYS) | |
|---------------------------|-----------------------------|--|---|
| | | Current Period ended April 11, 2022 | Previous Year ended March 31, 2022 |
| 8. Returns% : | | | |
| a. Last One Year | | | |
| Scheme | | | |
| | Growth Plan | N.A. | 3.89% |
| | Direct Plan - Growth Option | N.A. | 4.05% |
| | Benchmark | N.A. | 4.48% |
| b. Since Inception | | | |
| Scheme | | | |
| | Growth Plan | 7.65% | 7.70% |
| | Direct Plan - Growth Option | 7.82% | 7.86% |
| | Benchmark | 7.97% | 8.47% |
| | Benchmark (for Direct Plan) | 7.97% | 8.47% |
| | Benchmark Index | CRISIL Composite Bond Fund Index | |

* indicates less than 0.01%

¹ Gross income = amount against (A) in the Revenue account i.e. Income.

² Net income = amount against (C) in the Revenue account i.e. Net realised gains/(losses) for the year/period

³ Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year/period.

⁴ AAUM = Average daily net assets

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

L&T FMP SERIES XVIII - PLAN D (1155 DAYS)

1 Investments:-

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year/period ended March 31, 2023 and March 31, 2022 was NIL.
- 1.3. Investment in Associates and Group Companies as at the year/period ended March 31, 2023 and March 31, 2022 was NIL.
- 1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2023.
- 1.5. Securities classified as below investment grade or default as at year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Year March 31, 2023 and March 31, 2022 are as under:

| Scheme Name / Security Type | Amount (Rs.) | Percentage to Net Assets | Amount (Rs.) | Percentage to Net Assets |
|-------------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2023 | | As at March 31, 2022 | |
| Bonds & Debentures | | | | |
| – Appreciation | – | – | 47,283 | 0.01% |
| – Depreciation | – | – | 114,230 | 0.02% |
| Treasury Bills | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | – | – |

- 1.7. The aggregate value of securities purchased and sold during the financial year/period March 31, 2022 and March 31, 2023 is as below :

| Scheme Name | Purchases (Rs) | Percentage of average daily net assets | Sales (Rs) | Percentage of average daily net assets |
|--|----------------|--|-------------|--|
| | | | 2022-23 | |
| L&T FMP - SERIESXVIII PLAN D 1155 DAYS | – | – | 171,064,734 | 31.11% |
| L&T FMP - SERIESXVIII PLAN D 1155 DAYS | 2021-22 | | | |
| | 79,600,226 | 14.76% | 414,084,120 | 76.77% |

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Debt & Money Market Instruments and percentage to net assets is NIL.
2. Transactions covered by Regulation 25(8) of the SEBI Regulations with the associates of the Investment Manager of the Fund is NIL.
3. There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2023 and March 31, 2022.
4. Unit Capital movement during the year ended March 31, 2023 and March 31, 2022.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023**

| Description | 2022-23 | | | | |
|----------------------------|----------------|--------------|----------------|----------------|-------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face value |
| Regular Plan Growth Option | 8,040,500.000 | – | 8,040,500.000 | – | – |
| Regular Plan IDCW | 20,500.000 | – | 20,500.000 | – | – |
| Direct Plan Growth Option | 35,334,812.986 | – | 35,334,812.986 | – | – |
| Direct Plan IDCW | 1,500.000 | – | 1,500.000 | – | – |
| | 2021-22 | | | | |
| Regular Plan Growth Option | 8,040,500.000 | – | – | 8,040,500.000 | 80,405,000 |
| Regular Plan IDCW | 20,500.000 | – | – | 20,500.000 | 205,000 |
| Direct Plan Growth Option | 35,334,812.986 | – | – | 35,334,812.986 | 353,348,130 |
| Direct Plan IDCW | 1,500.000 | – | – | 1,500.000 | 15,000 |

- 5 Prior year amounts have been re-grouped and reclassified, wherever applicable, to confirm to current year's presentation.
- 6 There were no contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than management fee are inclusive of GST wherever applicable.
- 8 Pursuant to the SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, with effect from April 01, 2021, the Dividend option(s) in the schemes of L&T Mutual Fund shall be renamed in the following manner:

| Option / Plan | Name |
|------------------------|---|
| Dividend Payout | Payout of Income Distribution cum capital withdrawal option |
| Dividend Re-investment | Reinvestment of Income Distribution cum capital withdrawal option |
| Dividend Transfer Plan | Transfer of Income Distribution cum capital withdrawal plan |

Investors may refer to addendum no.56 dated March 26, 2021 uploaded on the website of the AMC i.e www.ltf.com for details of the existing and revised names of the dividend options under the schemes of L&T Mutual Fund.

- 9 Changes in Risk-o-meter during the financial year 2022-2023

| Scheme name | Riskometer_Portfolio Period | | Number of changes in Risk-o-meter during FY22 (Apr - 22 to Mar-23) |
|---|--|--|--|
| | Risk-o-meter level at start of the financial year - April 2022 | Risk-o-meter level at end of the financial year - March 2023 | |
| L&T FMP Series XVIII - Plan D (1155 days) | Low to Moderate | NA | NA |

*Note - SEBI had vide its letter no. SEBI/HO/IMD-II/DF3/OW/2021/1566/1 dated January 19, 2021 clarified that annual disclosure as per point 2i and 2h read with clause 5 of the SEBI circular on Product Labeling in Mutual Fund schemes – Risk-o-meter dated October 5, 2020 shall be as per the riskometers published post the date of the SEBI circular dated Oct 5, 2020. Accordingly, the annual disclosure pertaining to riskometers of the Schemes of L&T Mutual Fund is done from December 2020 to March 2021 for the FY 2020-21.

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

To the Abridged Balance Sheet and Revenue Account For the Period ended March 31, 2023

- 10 Pursuant to the SEBI circular no. SEBI/HO/MD/IMD-II DOF3/P/CIR/2021/573 dated June 07,2021, the existing debt schemes of L&T Mutual Fund (“the Fund”) have been classified in terms of Potential Risk Class matrix consisting of parameters based on maximum interest rate risk (measured by Macaulay Duration viz. MD of the scheme) and maximum credit risk (measured by Credit Risk Value viz. CRV of the scheme). Accordingly, details of Potential Risk Class matrix of schemes are given in below:

| Credit Risk → | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
|---|--------------------------|--------------------|---------------------------|
| Interest Rate Risk ↓ | | | |
| Relatively Low (Class I) | AI | | |
| Moderate (Class II) | | | |
| Relatively High (Class III) | | | |
| A close-ended debt fund. A relatively low interest rate risk and relatively low credit risk | | | |

- 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.



HSBC Fixed Term Series

A close ended income Schemes

Abridged Annual Report 2022 - 2023



SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400001.

TRUSTEE

Board of Trustees

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063.

CUSTODIAN

Standard Chartered Bank (SCB) (upto 2nd July, 2022)

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

Citibank N.A. (w.e.f. 2nd July, 2022)

Mumbai Branch, FIFC, 11th Floor, G Block, Plot No. 54-55, Bandra Kurla Complex, Bandra - East, Mumbai - 400051.

AUDITORS TO THE SCHEME

MSKA & Associates

Chartered Accountants

602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon (East), Mumbai - 400063.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

BOARD OF TRUSTEES

| | |
|-------------------------------|---------------|
| Ms. Jasmine Batliwalla | – Chairperson |
| Mr. Nani Javeri | – Trustee |
| Dr. T. C. Nair | – Trustee |
| Ms. Ho Wai Fun | – Trustee |

BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------------|
| Mr. Dinesh Mittal | – Director |
| Dr. Indu Shahani | – Director |
| Mr. Kailash Kulkarni | – Director & Chief Executive Officer |

Dear Investor,

This past year has been truly transformative and pivotal for HSBC Mutual Fund as well as the wider financial landscape. We have witnessed a series of profound shifts in the markets, challenging our perspectives and presenting unique opportunities for growth.

Successful & one of the largest mergers of LTIM & HSBC

A significant event from an organisation perspective has undoubtedly been the successful completion of the integration of L&T Investment Management (LTIM) with HSBC Asset Management. This being one of the largest mergers in the Indian Mutual Fund Industry makes it a significant milestone for all of us and is a positive step in line with our commitment and belief in the Indian economy and its growth story.



The synergies of the combined business has helped us to become one of the leading players in the Indian asset management industry, with diverse capabilities, expertise and a strong track record. Our customers have access to an enhanced suite of products for their investment needs, ably supported by digital service platforms.

HSBC Mutual Fund offers comprehensive and tailored solutions with over 41 open ended funds offering which includes equity funds, debt funds, hybrid funds, index funds and fund of funds (FoFs). Our distribution network encompasses leading banks, regional distributors, 58,000+ mutual fund distributors (MFDs), as well as established digital platforms. Our geographic footprint covers 65 locations in 35 cities throughout India. We would be delighted to welcome you at our offices or if you so prefer you can also connect with us on all key social media channels such as Facebook, Twitter, LinkedIn and Instagram.

Indian markets at bright prospects

From markets perspective, India's stock market witnessed some key milestones as investors take a chance on one of the few bright spots in a fragile global economy. Key benchmark indices hit record highs which reflects the strength and potential of Indian economy and its future growth story. India is now home to the world's fourth most valuable equity market, - after the United States, China and Japan. Indian equities remained among the brightest in the decade and we believe India's long-term growth story remains intact. The pickup in pace of reforms, production incentives and trade actions have given room for several investment themes across various industries.

The Indian MF industry witnessed a significant growth of asset base which could be attributed to buoyant stock market. The biggest adopters of mutual funds have been young millennials and early Gen-Zs. Despite the volatility in the markets, the young generations are choosing to invest in mutual funds for returns to beat the inflation rates.

New fund launches & digital enhancement

During this financial year we had two very successful new fund launches - HSBC Multi Cap Fund and the HSBC CRISIL IBX Gilt June 2027 Index Fund. As a new entity, we launched the successful HSBC Multi Cap Fund in January 2023 which garnered over INR 1,200 crore. HSBC Multi Cap Fund is focused on an actively managed portfolio of companies with minimum 25% allocation to Small, Mid and Large Caps to seek long-term capital growth.

We also launched HSBC CRISIL IBX Gilt June 2027 Index Fund in March 2023. With the interest rates trends this target maturity index fund proved as an ideal investment vehicle for investors who are credit risk averse (portfolio includes only Government of India securities) and have a medium to

long-term investing need. We are in the process of offering few more attractive products in the new financial year 2023-2024.

As a built up to the new entity, we did two campaigns viz the Investor education campaign and a brand building to the launch date catering to investors and distributors to talk about the presence and pedigree of HSBC. We have also deepened our engagement with partners with fund manager webinars and roadshows and several market outlook events. We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform.

Investment strategy

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 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.

Conclusion

I am a strong believer in the India story and this story has just begun. The opportunity to invest in this high growth market is a very exciting opportunity. I do hope you share my enthusiasm and I ask that you continue to invest whilst always reviewing your asset allocation. As always thank you for your business.

As we move forward, we remain steadfast in our mission to deliver the seamless services and investment expertise that individuals from all walks of life need to build greater financial security for today's challenges and tomorrow's dreams.

Stay connected with us through the HSBC Mutual Fund social media handles to access investor educational resources, stay informed about the industry and AMC developments, get timely updates on market trends and engage in discussion with a community of like-minded investors.

Warm regards,



Kailash Kulkarni

Chief Executive Officer

HSBC Asset Management India

Trustees' Report

For the year ended March 31, 2023

The Board of Trustees of HSBC Mutual Fund ('Fund') presents the Twenty First Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2023. The Trustees warmly welcome the investors from L&T Mutual Fund who joined the HSBC Mutual Fund family during the year. The Trustees believe the acquisition will open up newer investment opportunities for all their investors.

As at March 31, 2023, the Fund offered 41 schemes across asset classes to meet the varying investment needs of the investors. During the year, the Fund launched two new products namely HSBC MultiCap Fund and HSBC CRISIL IBX Gilt June 2027 Index Fund to fill the gaps in our product offering in Equity and Debt (Index) categories.

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 plans of the schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

As mentioned in our report for the period 2021-22, HSBC Securities and Capital Markets (India) Private Limited (the "HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (the "HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (the "HSBC Trustees") and L&T Investment Management Limited (the "L&T AMC"), L&T Mutual Fund Trustee Limited, that were earlier asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited (the "L&T Sponsor"), the earlier sponsor of the L&T Mutual Fund entered into a transfer agreement dated 23 December 2021, which, inter alia, provide for:

- (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, which will be considered to be an integral part of the HSBC Mutual Fund;
- (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund or vice-versa; and
- (iii) the acquisition of the entire share capital of L&T AMC by HSBC AMC and its nominees from L&T Sponsor and its nominees (collectively, the "Transaction").

Subsequent to SEBI's no objection to the Transaction and the amendments proposed to the trust deed of the HSBC Mutual Fund as required under the SEBI (Mutual Funds) Regulations, 1996 (the "MF Regulations"), the schemes of LTMF were transferred to/merged with the schemes of the Fund on and from the close of business hours of November 25, 2022, and the HSBC AMC and HSBC Trustees assumed the responsibilities of the schemes of LTMF w.e.f. close of business hours of November 25, 2022.

Post successful completion of the Transaction, the mutual fund registration granted to LTMF enabling it to act as a mutual fund has been surrendered and approval granted to L&T AMC to act as the asset management company of LTMF has been withdrawn. Consequently, L&T AMC has exited the Indian domestic mutual fund asset management business. Please refer Note to the Trustees' Report for details.

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

a. Operations and Performance of the Schemes

➤ Fixed Term Series

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 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.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| HSBC Fixed Term Series 137 [§] | | | | | Date of Inception : 18 January, 2019 | | | |
|---|---------------|----------------|---------------|----------------|--------------------------------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Fixed Term Series 137 | NA | NA | 12,371 | 7.35 | NA | NA | 12,703 | 7.64 |
| CRISIL Composite Bond Fund Index | NA | NA | 12,531 | 7.81 | NA | NA | 12,772 | 7.82 |
| CRISIL 10 Year Gilt Index | NA | NA | 11,762 | 5.56 | NA | NA | 11,977 | 5.71 |

[§] Scheme matured on April 18, 2022

| HSBC Fixed Term Series 139 ^{&&} | | | | | Date of Inception : 26 February, 2019 | | | |
|---|---------------|----------------|---------------|----------------|---------------------------------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Fixed Term Series 139 | NA | NA | 12,409 | 7.46 | NA | NA | 12,664 | 7.54 |
| CRISIL Composite Bond Fund Index | NA | NA | 12,357 | 7.31 | NA | NA | 12,641 | 7.48 |
| CRISIL 10 Year Gilt Index | NA | NA | 11,583 | 5.02 | NA | NA | 11,791 | 5.20 |

^{&&} Scheme Matured on May 3, 2022



| HSBC Fixed Term Series 140 ^{##} | | | | | Date of Inception : 26 April, 2019 | | | |
|---|---------------|----------------|---------------|----------------|------------------------------------|----------------|-----------------|----------------|
| Fund / Benchmark (Value of ₹ 10,000 invested) | 1 Year | | 3 Years | | 5 Years | | Since Inception | |
| | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) | Amount (₹) | Returns (%) |
| HSBC Fixed Term Series 140 | NA | NA | 12,292 | 7.12 | NA | NA | 12,611 | 7.40 |
| CRISIL Composite Bond Fund Index | NA | NA | 11,920 | 6.03 | NA | NA | 12,413 | 6.88 |
| CRISIL 10 Year Gilt Index | NA | NA | 11,061 | 3.42 | NA | NA | 11,599 | 4.67 |

^{##} Scheme matured on June 15, 2022

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 Regular - 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

Risk-o-meter as of 31st March, 2023:

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|-------------------------------|--|---|
| HSBC Fixed Term Series 137 |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index : CRISIL Composite Bond Fund Index</p>  |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Scheme Name | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|----------------------------|--|--|
| HSBC Fixed Term Series 139 |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index : CRISIL Composite Bond Fund Index</p>  |
| HSBC Fixed Term Series 140 |  <p>Investors understand that their principal will be at Low to Moderate risk</p> | <p>Benchmark Index : CRISIL Composite Bond Fund Index</p>  |

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2022. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

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

➤ EQUITY OUTLOOK

Recap of FY 2022-23:

After two years of strong returns, the Indian markets ended the year on a flattish note across the board. Moderation in crude price, geo-political pressures, FPI outflows and another record year for domestic equity inflows was offset by pressures from increase in interest rates globally, slower growth outlook and high valuations. The broader market performance was also similar as Mid-cap index gained 1% while small cap index ended slightly in negative territory with a decline of 3.6%.

The year started on a challenging note as sharp rate increases by the Fed, surge in crude prices and high inflation weighed on the market. Although, large FPI outflows in Q1 were largely offset by significant domestic inflows. Economy however continued to recover strongly as service industries and return to office drove growth in economic activity. Equity market however recovered strongly as crude price started to correct from peak in Jun even though INR continued to depreciate. Slower economic activity and high valuations along with continued Fed rate increases led to a modest correction in the market in Q4FY23.

Sectoral performance in a flattish year was highly divergent as global cyclical sectors like Metals, Oil & Gas and IT correcting meaningfully, while domestic cyclicals like Autos and Capital goods outperformed strongly. FMCG and Banking also outperformed the market while Power and Healthcare underperformed.

Global crude oil prices declined by 26% during the year to end at close to USD 80/barrel as market adjusted to the geo-political pressures. INR depreciated by 7.8% versus the USD during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) declined 5.6% as compared to 8.6% decline for MSCI World, 9.3% for US S&P 500, 13.3% for MSCI Emerging Markets and 6.8% for MSCI China. MSCI Europe however gained 1.1% over the period.

Trustees' Report

For the year ended March 31, 2023 (Contd...)

The flows data points were similar to FY22 with FPI flows remaining negative for a second consecutive year, while DIs saw another record year of net inflows. FPI net outflows was at USD 6.0bn in FY23 much lower than USD 17.1 bn in FY22. DIs, on the other hand, had their best ever fiscal of net inflows at USD30.8bn vs net inflows of USD 26.8 bn in the previous fiscal. Within DIs, the MF segment was the key contributor (USD 21.4 bn of net inflows) while Insurers were also in the net inflow territory (USD 9.4bn of net inflows)*.

| Indices Returns (April 01, 2022 to March 31, 2023) | 1 Year [^] |
|--|---------------------|
| S&P BSE Sensex TR | 2.0% |
| NSE CNX Nifty TR | 0.6% |
| S&P BSE 100 TR | 0.7% |
| S&P BSE 200 TR | -0.6% |
| S&P BSE 500 TR | -0.9% |
| S&P BSE Midcap TR | 1.1% |
| S&P BSE Small-cap TR | -3.6% |

[^] Source: Bloomberg (Above table values are for total return indices)

Way forward:

In our view, macro environment remains challenging with heightened global geo-political and economic uncertainties. On the positive side, moderation in global commodity prices from peak and stalemate in geopolitical situation provide some relief. Inflationary pressures seem to be abating in several countries including India. However, we believe slower global economic growth along with the impact of the sharp interest rate increase cycle that we have witnessed, could result in negative growth surprises going forward. Recent banking issues in US and EU highlight fragility in the system and US bond yields reflect risk of a recession in the next 12 months and rate cuts in the latter half of the year.

India seems to be more stable supported by improvement in domestic demand, government thrust on infrastructure and support to manufacturing. Strong infrastructure thrust of the government as announced in the Union Budget with more than 20% yoy growth in capital spending remains a key support for the domestic economy. Government has also reaffirmed its commitment to reducing fiscal deficit which should limit risk of further increase in interest rates. However, on the whole we expect economic growth to be slower in FY24 and believe consensus earnings growth forecast have some downside. Monsoon will be a key factor to watch for India going forward.

Valuations overall remain on the higher side especially in light to the higher interest rate now prevailing globally. Nifty continues to trade on 19.2x consensus FY24 PE (as of 30 Apr). On a 10-year basis, Nifty is still trading 10% above its historic average valuation but is now trading slightly below its 5-year average. We remain positively biased towards domestic cyclical and constructive on India equities longer term supported by the more robust medium term growth outlook on back of drivers outlined above.

*Source: Motilal Oswal

➤ DEBT OUTLOOK

Market drivers during the course of the year FY23

The year started with advanced economies continuing to grapple with higher inflation and aggressive policy tightening remained a common theme across economies. Elevated energy prices pushed inflation in various economies to multi-year highs. The FOMC raised rates by a cumulative 475 bps, taking the federal funds rate to 4.75%-5.00%, while continuing with the QT framework. The Fed Chair guided that the pace of future hikes would slow down to account for the lag in the impact of the monetary policy actions already undertaken. The BOE also raised rates by 415 bps while the ECB raised rates by 350 bps.

The last year has been fairly volatile across asset classes, both globally and from a domestic perspective. US Treasury yields saw a sharp move up this financial year, with the 10-year benchmark moving from 2.25%-2.50% to the highs of around 4.25% before falling to 3.50%-3.75% band. The yield curve in the US is sharply inverted. The 10 year UK benchmark security also touched a high of 4.55% before seeing a sharp

Trustees' Report

For the year ended March 31, 2023 (Contd...)

move down. Crude prices stayed above USD 100/bbl for the first few months of the financial year but moved lower subsequently with discussions around possible recessionary impact picking up. Crude prices are currently trading around USD 80/bbl. Dollar has strengthened across various currencies and has been a key theme over the last few months.

On the domestic front, CPI inflation remained above the MPC's targeted band for most the financial year. The MPC has had to write to the Government explaining the reasons for inflation remaining above the mandated band for three consecutive quarters. WPI saw a correction towards the end of the year. PMI numbers continue to remain in expansion, GST revenues remain buoyant and credit off-take upbeat.

Government of India continued to balance the twin priorities of growth and fiscal consolidation in the Union Budget presented in Feb 2023. FY2023 Fiscal target of 6.4% was maintained. Going forward in FY2024, the fiscal deficit is budgeted at 5.9%. Government intends to stick to the fiscal roadmap of targeting a deficit of 4.5% by FY2026. Gross market borrowing is at INR 15.4 trn with net borrowing (net of redemptions) through dated securities at INR 11.8 trn. The budget factored in a higher than expected borrowing through small savings (NSSF) at INR 4.7 trn. Overall, the budgeted estimates appear achievable. The sharp projected increase in capex, as per budget estimates, offers scope for curtailing expenditures if needed, without compromising on the growth push, to offset any minor shortfall in revenue.

The yield curve has flattened over the year, with money market rates moving up sharply by almost 275-325 bps. The 2-3 year point of the curve rose by 190-225 bps while the 5-10 year segment moved up by 75-125 bps. Rupee depreciated against a stronger dollar, moving from 75 levels to a high of 83 and is currently around 82.00-82.50 levels.

Market Outlook

Given the 300 bps+ move in overnight rates over the past year, the MPC has enough room to assess the impact of past actions and keep an eye on the global financial stability situation over the coming months. A strong external sector and robust growth momentum (especially compared to rest of the world) gives enough space to the RBI to wait and take calibrated measures in the future if needed.

With the Fed nearing its tightening cycle, the probability that our rate hiking cycle has ended and 6.50% is the peak Repo Rate in this cycle has meaningfully increased. Having said that, it would still be critical to monitor incoming data pertaining to inflation and growth over the coming few quarters, to see if any nasty surprises force the Fed or the RBI to embark on a fresh round of tightening. Hence, a nimble footed approach would be apt in our portfolio strategies to adapt quickly to such events (if they do unfold).

The game now clearly shifts to the timing, magnitude and pace of rate cuts that are likely over the next year or two. The US bond markets are aggressively pricing in 100 bps of rate cuts over the next year, with the easing starting as early as July/September 2023. Domestically too, with the sharp rally in yields over the past month, markets are now effectively pricing in rate cuts starting in Q4 of this fiscal year. The speed at which markets have turned around to price in rate cuts now vs hikes earlier has been sharp and quick, but not surprising as at the peak of a rate hiking cycle (with Repo Rate higher by 250 bps and Overnight rates higher by over 300 bps), it is always difficult to predict exactly when the markets turn and often such turnarounds tend to be sharp and dramatic. Despite the sharp rally in yields over the past month, we continue to remain positive with a 1-2 year investment horizon, during which bond markets are likely to benefit from a likely rate cutting cycle and a gradually more accommodative RBI stance.

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, 2023 (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 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai 400 063. 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. 344.41 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 Scheme-wise as on March 31, 2023:

| Scheme | Unclaimed Dividend | | Unclaimed Redemption | |
|--|--------------------|--------------|----------------------|--------------|
| | No. of Investors | Amount (Rs.) | No. of Investors | Amount (Rs.) |
| HSBC FTS 137 - Growth - Tenure 1187 Days - Maturity:18-Apr-2022 ** | - | - | 1 | 4,347,044.12 |
| HSBC FTS 140 - Growth - Tenure 1147 Days - Maturity: 15-Jun-2022** | - | - | 1 | 1,550,227.39 |

** Schemes matured as on March 31, 2023

Trustees' Report

For the year ended March 31, 2023 (Contd...)

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 Centers in 43 locations at its own offices. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors at 22 locations and we have the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1800-4190-200/1800-200-2434) 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 www.assetmanagement.hsbc.co.in.

On the distribution front, the number of empaneled distributors was 56049 as on March 31, 2023. 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 145 as on March 31, 2023

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2022 - March 2023 are as follows:

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|---|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 amount declared under Income Distribution cum Capital Withdrawal option | 0 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I B | Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I C | Non receipt of Redemption Proceeds | 2 | 63 | 63 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| I D | Interest on delayed payment of Redemption | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II A | Non receipt of Statement of Account/Unit Certificate | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II B | Discrepancy in Statement of Account | 0 | 9 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II C | Data corrections in Investor details | 0 | 402 | 401 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| II D | Non receipt of Annual Report/Abridged Summary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III A | Wrong switch between Schemes | 0 | 3 | 3 | 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 | 0 |
| III C | Deviation from Scheme attributes | 0 | 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 | 0 |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| 2022-2023 | | | | | | | | | | | | | |
|----------------|--|--|--|-----------------------|--------------|---------------|-----------------|-----------------|--------------|--------------|--------------|---------------|----------|
| Complaint Code | Type of complaint# | (a) No. of complaints pending at the beginning of the period | (b) No. of complaints received during the given period | 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 | |
| III E | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0 | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| III F | Delay in allotment of Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III G | Unauthorized Redemption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IV | Others** | 0 | 106 | 104 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| | Total | 2 | 658 | 652 | 1 | 1 | 0 | 0 | 6 | 0 | 0 | 0 | 0 |

** 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

Summary of Complaints for FY 2022-23

| Particulars | Count |
|-----------------------------------|-----------|
| Total complaints received | 658 |
| Total number of folios | 1,754,309 |
| % of complaints against the folio | 0.038% |

8. INVESTOR EDUCATION INITIATIVES

Investor awareness advertisements were published in Mutual Fund Insight magazine on a monthly basis along with an editorial on 'SIP Sahi Hai'. Additionally, monthly articles/blogs have been written by Advisorshoj on IAP which talks of the advantages of SIP, start early, power of compounding, diversification, asset allocation etc. The same is promoted by the publisher via an email to their entire network and also on their social media handles which can be retweeted or liked. Also, educative infographics have been hosted on our website under the investor resources section. The same have also been circulated to existing Indian investors via email for engagement and for educative purposes. Further, the AMC also conducts IAP ground events or camps with various investor segments like women investor, retired army and defence personnel throughout the country.

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. (please refer Proxy Voting Policy and Procedures)

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 2022-23 is provided below:

| Quarter | Total no. of resolutions | Break-up of Vote decision | | |
|------------------------------|--------------------------|---------------------------|------------|-----------|
| | | For | Against | Abstained |
| April 2022 - June 2022 | 206 | 152 | 39 | 15 |
| July 2022 - September 2022 | 872 | 641 | 174 | 57 |
| October 2022 - December 2022 | 70 | 52 | 14 | 4 |
| January 2023 - March 2023 | 214 | 149 | 49 | 16 |
| Total | 1,362 | 994 | 276 | 92 |

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/

Trustees' Report

For the year ended March 31, 2023 (Contd...)

IMD/DF2/CIR/P/2016/68 dated August 10, 2016 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021; 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 2022-23. The certificate dated May 16, 2023 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 2022-23 or log on to our website at www.assetmanagement.hsbc.co.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 of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.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. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2022-23

As per the requirements of SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2022-23 have been given in the below mentioned table for the information of the Unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

| Scheme Name | Risk-o-meter level as on March 31, 2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|----------------------------|---|---|--|
| HSBC Fixed Term Series 137 | Low to Moderate | Low to Moderate | 0 |
| HSBC Fixed Term Series 139 | Low to Moderate | Low to Moderate | 0 |
| HSBC Fixed Term Series 140 | Low to Moderate | Low to Moderate | 0 |

12. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per the requirements of SEBI Circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 1 | Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. | Complied | HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| S. No. | Particulars of Principles of Stewardship Code | Status of compliance (Complied/ Not Complied) | Description | Remarks/ reasons for deviation/non-compliance, if any |
|--------|---|---|--|---|
| 2 | Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. | Complied | Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed. | N.A. |
| 3 | Principle 3: Institutional investors should monitor their investee companies. | Complied | AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document | N.A. |
| 4 | Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed. | Complied | Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed. | N.A. |
| 5 | Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. | Complied | AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund. | N.A. |
| 6 | Principle 6: Institutional investors should report periodically on their stewardship activities. | Complied | The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations. | N.A. |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

13. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT

| Sr No. | Period of applicability of swing pricing | Scheme name | Unswung NAV | Swing factor applied | Whether optional or mandatory |
|--------|--|-------------|-------------|----------------------|-------------------------------|
| NIL | | | | | |

14. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR : NIL

15. 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/-

Trustee

Mumbai

July 11, 2023

Note to the Trustees' Report:

As part of the transaction, the following schemes of L&T MF have been transferred to and form part of HSBC MF on and from the close of business hours on November 25, 2022.

Merger of Schemes between HSBC Mutual Fund and L&T Mutual Fund

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---------------------------------|----------------------------------|-------------------------------|
| 1 | L&T India Large Cap Fund | HSBC Large Cap Equity Fund | HSBC Large Cap Fund |
| 2 | HSBC Midcap Fund | L&T Midcap Fund | HSBC Midcap Fund |
| 3 | HSBC Small Cap Equity Fund | L&T Emerging Businesses Fund | HSBC Small Cap Fund |
| 4 | L&T Flexicap Fund | HSBC Flexi Cap Fund | HSBC Flexi Cap Fund |
| 5 | L&T Large & Mid Cap Fund | HSBC Large & Mid Cap Equity Fund | HSBC Large & Mid Cap Fund |
| 6 | L&T Focused Equity Fund | HSBC Focused Equity Fund | HSBC Focused Fund |
| 7 | HSBC Infrastructure Equity Fund | L&T Infrastructure Fund | HSBC Infrastructure Fund |
| 8 | HSBC Equity Hybrid Fund | L&T Hybrid Equity Fund | HSBC Aggressive Hybrid Fund |
| 9 | L&T Conservative Hybrid Fund | HSBC Regular Savings Fund | HSBC Conservative Hybrid Fund |
| 10 | L&T Overnight Fund | HSBC Overnight Fund | HSBC Overnight Fund |
| 11 | L&T Liquid Fund | HSBC Cash Fund | HSBC Liquid Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Sr. No. | Transferor Scheme | Transferee Scheme | New Name / Surviving Scheme |
|---------|---|--------------------------------|--------------------------------|
| 12 | L&T Ultra Short Term Fund | HSBC Ultra Short Duration Fund | HSBC Ultra Short Duration Fund |
| 13 | HSBC Low Duration Fund | L&T Low Duration Fund | HSBC Low Duration Fund |
| 14 | HSBC Short Duration Fund | L&T Short Term Bond Fund | HSBC Short Duration Fund |
| 15 | HSBC Corporate Bond Fund & HSBC Flexi Debt Fund | L&T Flexi Bond Fund | HSBC Dynamic Bond Fund |

Schemes of L&T Mutual Fund taken over by HSBC Mutual Fund

| Sr No. | Existing Name | New Name |
|--------|----------------------------------|--------------------------------|
| 1 | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | L&T Value Fund | HSBC Value Fund |
| 3 | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 4 | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 6 | L&T Emerging Businesses Fund | HSBC Equity Savings Fund |
| 7 | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | L&T Credit Risk Fund | HSBC Credit Risk Fund |
| 9 | L&T Gilt Fund | HSBC Gilt Fund |
| 10 | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |
| 11 | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 12 | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 13 | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 14 | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Change in Fundamental Attribute of HSBC Mutual Fund Scheme

| Sr No. | Category | Existing Name | New Name / Surviving Scheme |
|--------|-------------------------|----------------|-----------------------------------|
| 1 | Medium to Long Duration | HSBC Debt Fund | HSBC Medium to Long Duration Fund |

Change in Fundamental Attribute of L&T Mutual Fund Schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on November 25, 2022.

| Sr No. | Category | Existing Name | New Name |
|--------|------------------------------|----------------------------------|------------------------------|
| 1 | Equity Linked Savings Scheme | L&T Tax Advantage Fund | HSBC ELSS Fund |
| 2 | Value | L&T India Value Fund | HSBC Value Fund |
| 3 | Thematic | L&T Business Cycles Fund | HSBC Business Cycles Fund |
| 4 | Balanced Advantage Fund | L&T Balanced Advantage Fund | HSBC Balanced Advantage Fund |
| 5 | Equity Savings | L&T Equity Savings Fund | HSBC Equity Savings Fund |
| 6 | Arbitrage | L&T Arbitrage Opportunities Fund | HSBC Arbitrage Fund |

Trustees' Report

For the year ended March 31, 2023 (Contd...)

| Sr No. | Category | Existing Name | New Name |
|--------|--------------------|-------------------------------|--------------------------------|
| 7 | Money Market | L&T Money Market Fund | HSBC Money Market Fund |
| 8 | Corporate Bond | L&T Triple Ace Bond Fund | HSBC Corporate Bond Fund |
| 9 | Banking & PSU Debt | L&T Banking and PSU Debt Fund | HSBC Banking and PSU Debt Fund |
| 10 | Medium Duration | L&T Resurgent India Bond Fund | HSBC Medium Duration Fund |
| 11 | Gilt Fund | L&T Gilt Fund | HSBC Gilt Fund |
| 12 | Credit Risk | L&T Credit Risk Fund | HSBC Credit Risk Fund |

Change of name of L&T Mutual Fund schemes (taken over by of HSBC Mutual Fund) with effective date from the close of business hours on 25 November 2022

| Sr No | Category | Existing Name | New Name |
|-------|----------|------------------------------|-------------------------------|
| 1 | Index | L&T Nifty 50 Index Fund | HSBC Nifty 50 Index Fund |
| 2 | Index | L&T Nifty Next 50 Index Fund | HSBC Nifty Next 50 Index Fund |

Discontinuation of subscription in HSBC Mutual Fund Scheme

| Sr No | Category | Existing Name | Remarks |
|-------|------------------------------|----------------------------|---|
| 1 | Equity Linked Savings Scheme | HSBC Tax Saver Equity Fund | Fresh subscriptions to be stopped from Effective Date from the close of business hours on 25 November 2022. |

Independent Auditors' Report

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 accompanying financial statements of **HSBC Fixed Term Series 137** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

| Sr. No. | Key Audit Matter | How the Key Audit Matter was addressed in our audit |
|---------|--|--|
| 1 | <p>Information Technology (IT) System:</p> <p>The reliability of Information Technology ('IT') systems plays a key role in the business operations of Mutual fund. Since large volume of transactions are processed, the IT controls are required to ensure that systems process data as expected and that changes are made in an appropriate manner.</p> <p>The audit approach relies extensively on automated controls and therefore on the effectiveness of controls over IT Systems. Accordingly, our Audit was focused on Key IT Systems and controls due to pervasive impact on the financial statements.</p> | <p>Our audit procedures in respect of this area included the following, but not limited to:</p> <p>Involved our IT specialists as part of the audit to obtain an understanding of the IT-related control environment (IT general controls and application controls (automated and semi-automated controls)) at investment operations, fund accountant and registrar & transfer agents of the Fund (together referred to as "Entity"). Further conducted an assessment and identified key IT Applications, databases and operating systems that are relevant to our audit and have identified key applications relevant for financial reporting.</p> <p>With respect to the "In-scope IT systems" identified as relevant to the audit of the financial statements and financial reporting process of the Company.</p> <p>We have evaluated and tested relevant IT general controls or relied upon service auditor's report, where applicable.</p> |

Independent Auditors' Report *(Contd...)*

| Sr. No. | Key Audit Matter | How the Key Audit Matter was addressed in our audit |
|---------|--|--|
| | <p>The control over IT Systems and operating effectiveness thereof at investment operations, fund accountant and registrar & transfer agents of the Fund is considered as a Key Audit Matter as the scheme is highly dependent on technology due to the significant number of transactions that are processed daily, and discrete IT Systems used.</p> | <p>On such "In-scope IT systems" we have performed the following procedures:</p> <ol style="list-style-type: none"> 1. Obtained an understanding of the Entity's IT Control environment and key changes during the audit period that may be relevant to the audit mapping of applications and understanding financial risks posed by people-process and technology. 2. Tested design and operating effectiveness of key controls over User Access management control, Change management control, Admin access control, password configuration review and privilege access), Database administration control, computer operations (including testing of key controls pertaining to, backup, batch processing, incident management and data centre security. Also tested entity level controls pertaining to IT policy and procedure and business continuity plan assessment. 3. Access Management: This included a review of the entity's controls to see if access rights were granted/modified based on properly approved requests, whether access for exit cases was revoked in a timely manner, and whether all users' access was examined throughout the audit period. 4. Change Management: This included a review of the entity's controls to see if the change was implemented to the application based on properly approved requests, whether the application has appropriate segregation of environment, and whether appropriate users' have access to implement change in the application. 5. Backup Management and Restoration: This included a review of the entity's controls to see if the backup configuration and data backups were taken as per the documented backup policy, and whether appropriate restoration was done during the audit period. 6. Incident Management: This included a review of the entity's controls to see incidents raised during the audit period are resolved in a timely manner. 7. Network security: This included a review of the entity's controls to see if Network security control are appropriately implemented to prevent cyber-attacks. 8. Verified the key report extraction process from the Application front end and Database (backend) to check the completeness and accuracy of the reports. |

Independent Auditors' Report *(Contd...)*

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations, and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended March 31, 2023 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account, and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Board of Directors of HSBC Mutual Fund (the 'trustees') in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQZB1079

Place : Mumbai

Date : July 11, 2023

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 accompanying financial statements of **HSBC Fixed Term Series 139** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

| Sr. No. | Key Audit Matter | How the Key Audit Matter was addressed in our audit |
|---------|--|---|
| 1 | <p>Information Technology (IT) System:</p> <p>The reliability of Information Technology ('IT') systems plays a key role in the business operations of Mutual fund. Since large volume of transactions are processed, the IT controls are required to ensure that systems process data as expected and that changes are made in an appropriate manner.</p> <p>The audit approach relies extensively on automated controls and therefore on the effectiveness of controls over IT Systems. Accordingly, our Audit was focused on Key IT Systems and controls due to pervasive impact on the financial statements.</p> | <p>Our audit procedures in respect of this area included the following, but not limited to:</p> <p>Involved our IT specialists as part of the audit to obtain an understanding of the IT-related control environment (IT general controls and application controls (automated and semi-automated controls)) at investment operations, fund accountant and registrar & transfer agents of the Fund (together referred to as "Entity"). Further conducted an assessment and identified key IT Applications, databases and operating systems that are relevant to our audit and have identified key applications relevant for financial reporting.</p> <p>With respect to the "In-scope IT systems" identified as relevant to the audit of the financial statements and financial reporting process of the Company. We have evaluated and tested relevant IT general controls or relied upon service auditor's report, where applicable.</p> |

Independent Auditors' Report (Contd...)

| Sr. No. | Key Audit Matter | How the Key Audit Matter was addressed in our audit |
|---------|--|--|
| | <p>The control over IT Systems and operating effectiveness thereof at investment operations, fund accountant and registrar & transfer agents of the Fund is considered as a Key Audit Matter as the scheme is highly dependent on technology due to the significant number of transactions that are processed daily, and discrete IT Systems used.</p> | <p>On such "In-scope IT systems" we have performed the following procedures:</p> <ol style="list-style-type: none"> 1. Obtained an understanding of the Entity's IT Control environment and key changes during the audit period that may be relevant to the audit mapping of applications and understanding financial risks posed by people-process and technology. 2. Tested design and operating effectiveness of key controls over User Access management control, Change management control, Admin access control, password configuration review and privilege access), Database administration control, computer operations (including testing of key controls pertaining to, backup, batch processing, incident management and data centre security. Also tested entity level controls pertaining to IT policy and procedure and business continuity plan assessment. 3. Access Management: This included a review of the entity's controls to see if access rights were granted/modified based on properly approved requests, whether access for exit cases was revoked in a timely manner, and whether all users' access was examined throughout the audit period. 4. Change Management: This included a review of the entity's controls to see if the change was implemented to the application based on properly approved requests, whether the application has appropriate segregation of environment, and whether appropriate users' have access to implement change in the application. 5. Backup Management and Restoration: This included a review of the entity's controls to see if the backup configuration and data backups were taken as per the documented backup policy, and whether appropriate restoration was done during the audit period. 6. Incident Management: This included a review of the entity's controls to see incidents raised during the audit period are resolved in a timely manner. 7. Network security: This included a review of the entity's controls to see if Network security control are appropriately implemented to prevent cyber-attacks. 8. Verified the key report extraction process from the Application front end and Database (backend) to check the completeness and accuracy of the reports. |

Independent Auditors' Report *(Contd...)*

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations, and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended March 31, 2023 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account, and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Board of Directors of HSBC Mutual Fund (the 'trustees') in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQZC4713

Place : Mumbai

Date : July 11, 2023

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 accompanying financial statements of **HSBC Fixed Term Series 140** ("the Scheme"), which comprise the Balance Sheet as at March 31, 2023, the Revenue Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements of the Scheme give a true and fair view in conformity with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended ("the SEBI Regulations"):

- a. in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2023;
- b. in the case of the Revenue Account, of the net surplus for the Scheme for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards 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 Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

| Sr. No. | Key Audit Matter | How the Key Audit Matter was addressed in our audit |
|---------|--|---|
| 1 | <p>Information Technology (IT) System:</p> <p>The reliability of Information Technology ('IT') systems plays a key role in the business operations of Mutual fund. Since large volume of transactions are processed, the IT controls are required to ensure that systems process data as expected and that changes are made in an appropriate manner.</p> <p>The audit approach relies extensively on automated controls and therefore on the effectiveness of controls over IT Systems. Accordingly, our Audit was focused on Key IT Systems and controls due to pervasive impact on the financial statements.</p> | <p>Our audit procedures in respect of this area included the following, but not limited to:</p> <p>Involved our IT specialists as part of the audit to obtain an understanding of the IT-related control environment (IT general controls and application controls (automated and semi-automated controls)) at investment operations, fund accountant and registrar & transfer agents of the Fund (together referred to as "Entity"). Further conducted an assessment and identified key IT Applications, databases and operating systems that are relevant to our audit and have identified key applications relevant for financial reporting.</p> <p>With respect to the "In-scope IT systems" identified as relevant to the audit of the financial statements and financial reporting process of the Company. We have evaluated and tested relevant IT general controls or relied upon service auditor's report, where applicable.</p> |

Independent Auditors' Report *(Contd...)*

| Sr. No. | Key Audit Matter | How the Key Audit Matter was addressed in our audit |
|---------|--|--|
| | <p>The control over IT Systems and operating effectiveness thereof at investment operations, fund accountant and registrar & transfer agents of the Fund is considered as a Key Audit Matter as the scheme is highly dependent on technology due to the significant number of transactions that are processed daily, and discrete IT Systems used.</p> | <p>On such "In-scope IT systems" we have performed the following procedures:</p> <ol style="list-style-type: none"> 1. Obtained an understanding of the Entity's IT Control environment and key changes during the audit period that may be relevant to the audit mapping of applications and understanding financial risks posed by people-process and technology. 2. Tested design and operating effectiveness of key controls over User Access management control, Change management control, Admin access control, password configuration review and privilege access), Database administration control, computer operations (including testing of key controls pertaining to, backup, batch processing, incident management and data centre security. Also tested entity level controls pertaining to IT policy and procedure and business continuity plan assessment. 3. Access Management: This included a review of the entity's controls to see if access rights were granted/modified based on properly approved requests, whether access for exit cases was revoked in a timely manner, and whether all users' access was examined throughout the audit period. 4. Change Management: This included a review of the entity's controls to see if the change was implemented to the application based on properly approved requests, whether the application has appropriate segregation of environment, and whether appropriate users' have access to implement change in the application. 5. Backup Management and Restoration: This included a review of the entity's controls to see if the backup configuration and data backups were taken as per the documented backup policy, and whether appropriate restoration was done during the audit period. 6. Incident Management: This included a review of the entity's controls to see incidents raised during the audit period are resolved in a timely manner. 7. Network security: This included a review of the entity's controls to see if Network security control are appropriately implemented to prevent cyber-attacks. 8. Verified the key report extraction process from the Application front end and Database (backend) to check the completeness and accuracy of the reports. |

Independent Auditors' Report *(Contd...)*

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors of HSBC Asset Management (India) Private Limited (the "AMC") and the Board of Trustees of HSBC Mutual Fund (the "Trustees") (collectively referred to as "the Management") are responsible for the other information. The other information comprises the information included in the Trustees 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 such 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations, and cash flows of the Scheme in accordance with the accounting principles generally accepted in India, including the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the SEBI Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 the financial statements, the 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.

Those Charged with Governance 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 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 scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 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 to 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended March 31, 2023 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Report on Other Legal and Regulatory Requirements

1. As required by regulation 55(4) and clause 5(ii) of the Eleventh Schedule of the SEBI Regulations, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to the SEBI Regulations; and
 - c. the Balance Sheet, the Revenue Account, and the Cash Flow Statement, dealt with by this report are in agreement with the books of accounts of the Scheme.
2. In our opinion, the methods used to value non-traded securities, if any, as at March 31, 2023, as determined by the Management under procedures approved by the Board of Directors of HSBC Mutual Fund (the 'trustees') in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule to the SEBI Regulations, are fair and reasonable.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner

Membership No: 117812

UDIN: 23117812BGXQZJ3314

Place : Mumbai

Date : July 11, 2023

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | | HSBC FIXED TERM SERIES 137 # | |
|--------------------|--|-------------------------------------|-------------------------|
| | | As at March 31, 2023 | As at March 31, 2022 |
| LIABILITIES | | | |
| 1 | Unit Capital | - | 5,873.59 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | (1,610.09) | - |
| 2.2 | Unrealised Appreciation Reserve | - | 0.13 |
| 2.3 | Other Reserves | 1,610.09 | 1,598.33 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income/Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 0.39 | 4.89 |
| | TOTAL | 0.39 | 7,476.94 |
| 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 | - | - |
| 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 | - | 3,182.73 |
| 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/Certificate of Deposits | - | 873.52 |
| 1.7 | Bill Rediscounting | - | - |
| 1.8 | Units of Domestic Mutual Fund | - | - |
| 1.9 | Foreign Securities | - | - |
| | Total Investments | - | 4056.25 |
| 2 | Deposits | - | 16.00 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 0.39 | 1.05 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | - | 3,188.76 |
| 3.3 | Others | - | 214.88 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| | TOTAL | 0.39 | 7,476.94 |

Scheme Matured during current Financial Year.

Notes to Accounts - Annexure I

Abridged Revenue Account for the Period ended March 31, 2023

Rs. in Lakhs

| | | HSBC FIXED TERM SERIES 137 # | |
|-----------|--|--|---|
| | | Current Period ended April 18, 2022 | Previous Year ended March 31, 2022 |
| 1 | INCOME | | |
| 1.1 | Dividend | - | - |
| 1.2 | Interest | 15.85 | 550.07 |
| 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 | (13.47) | (38.50) |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 | Other Income | - | - |
| | (A) | 2.38 | 511.57 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | - | 9.05 |
| 2.2 | GST on Management Fees | - | 1.63 |
| 2.3 | Transfer Agents Fees and Expenses | 0.04 | 0.91 |
| 2.4 | Custodian Fees | - | 0.27 |
| 2.5 | Trusteeship Fees | - | 0.13 |
| 2.6 | Commission to Agents | 0.33 | 6.90 |
| 2.7 | Marketing & Distribution Expenses | 0.09 | 0.10 |
| 2.8 | Audit Fees | 0.09 | 0.24 |
| 2.9 | Investor Education Expenses | 0.38 | 1.47 |
| 2.10 | Interest on Borrowing | - | - |
| 2.11 | Other Operating Expenses | 0.08 | 0.44 |
| | (B) | 1.01 | 21.14 |
| 3 | NET REALISED GAINS / (LOSSES) FOR THE YEAR | (C = A - B) | 490.43 |
| 4 | Change in Unrealised Depreciation in Value of Investments | (D) | (10.69) |
| 5 | NET GAINS / (LOSSES) FOR THE YEAR | (E = C + D) | 479.74 |
| 6 | Change in Unrealised Appreciation in Value of Investments | (F) | (179.79) |
| 7 | NET SURPLUS / (DEFICIT) FOR THE YEAR | (G = E + F) | 299.95 |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 0.13 | 179.79 |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 | Add/(Less) : Equalisation | - | - |
| 7.4 | Transfer from Reserve Fund | 1,598.33 | 1,118.59 |
| 7.5 | Transfer from Unit Premium Reserve | - | - |
| 8 | Total | 1,610.39 | 1,598.33 |
| 9 | Dividend Appropriation | | |
| 9.1 | Income Distributed during the Year | (0.30) | - |
| 9.2 | Tax on Income Distributed during the Year | - | - |
| 10 | Retained Surplus / (Deficit) Carried Forward to Balance Sheet | 1,610.09 | 1,598.33 |

Scheme Matured during current Financial Year.

Notes to Accounts - Annexure I

Key Statistics for the Period ended March 31, 2023

| HSBC FIXED TERM SERIES 137 # | | |
|--|--|---|
| | Current Period ended April 18, 2022 | Previous Year ended March 31, 2022 |
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 12.6864 | 12.1877 |
| Regular Plan - IDCW Option | 12.6864 | 12.1877 |
| Direct Plan - Growth Option | 12.7951 | 12.2594 |
| Direct Plan - IDCW Option | 12.7951 | 12.2594 |
| High | | |
| Regular Plan - Growth Option | 12.7062 | 12.6864 |
| Regular Plan - IDCW Option | 12.7018 | 12.6864 |
| Direct Plan - Growth Option | 12.8166 | 12.7951 |
| Direct Plan - IDCW Option | 12.8117 | 12.7951 |
| Low | | |
| Regular Plan - Growth Option | 12.6915 | 12.1945 |
| Regular Plan - IDCW Option | 10.0000 | 12.1945 |
| Direct Plan - Growth Option | 12.8006 | 12.2667 |
| Direct Plan - IDCW Option | 10.0000 | 12.2667 |
| End | | |
| Regular Plan - Growth Option | 12.7062 | 12.6864 |
| Regular Plan - IDCW Option | 10.0000 | 12.6864 |
| Direct Plan - Growth Option | 12.8166 | 12.7951 |
| Direct Plan - IDCW Option | 10.0000 | 12.7951 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 7,484 | 7,472 |
| Average (AAuM) ¹ | 7,479 | 7,332 |
| 3. Gross income as % of AAuM ² | | |
| | 0.65% | 6.98% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees)(plan wise) | | |
| Regular Plan - Growth Option | 0.35% | 0.37% |
| Direct Plan - Growth Option | 0.10% | 0.11% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan - Growth Option | - | 0.16% |
| Direct Plan - Growth Option | - | 0.05% |
| 5. Net Income as a percentage of AAuM ³ | | |
| | 0.02% | 6.69% |
| 6. Portfolio turnover ratio ⁴ | | |
| | - | - |
| 7. Total Dividend per unit distributed during the period (plan wise): | | |
| Retail | | |
| Regular Plan - IDCW Option | 2.71 | - |
| Direct Plan - IDCW Option | 2.82 | - |

Key Statistics for the Period ended March 31, 2023 (Contd...)

| | HSBC FIXED TERM SERIES 137 # | |
|---|---|--|
| | Current Period ended April 18, 2022 | Previous Year ended March 31, 2022 |
| Corporate | | |
| Regular Plan - IDCW Option | 2.71 | – |
| Direct Plan - IDCW Option | 2.82 | – |
| 8. Returns (%): | | |
| a. Last One Year | | |
| Scheme | | |
| Regular Plan - Growth Option [§] | NA | 4.09% |
| Direct Plan - Growth Option [§] | NA | 4.37% |
| Benchmark | | |
| CRISIL Composite Bond Fund Index | NA | 4.48% |
| b. Since Inception | | |
| Scheme | | |
| Regular Plan - Growth Option | 7.64% | 7.72% |
| Direct Plan - Growth Option | 7.93% | 8.01% |
| Benchmark | | |
| CRISIL Composite Bond Fund Index | 7.82% | 8.41% |

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

[§] - Scheme matured on April 18, 2022

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year and percentages to net assets are as under :

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|---|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Non Convertible Debentures and Bonds Listed / Awaiting Listing | | | | |
| – Appreciation | – | – | 146,978 | 0.02 |
| – Depreciation | – | – | 1,215,998 | 0.16 |
| Government of India Securities | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | – | – |
| Certificate of Deposit | | | | |
| – Appreciation | – | – | 13,067 | ~0.00 |
| – Depreciation | – | – | – | – |
| Treasury Bills | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | – | – |

~ Indicates less than 0.01

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 0 and Rs. 405,839,093 respectively being 0% and 1100.38% 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 2021-2022 (excluding accretion of discount) is Rs. 127,868,327 and Rs. 399,500,000 respectively being 17.44% and 54.49% of the average daily net assets.

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

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

- 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 |
|--------------------------|-----------------|--------------------------|--------------------|--------------------------|
| | 2023 | | 2022 | |
| Debt Instruments | – | – | 318,273,227 | 42.60% |
| Money Market Instruments | – | – | – | – |
| Total | – | – | 318,273,227 | 42.60% |

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

During the year 2022-23, 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 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|--|--|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | – | – | 30,859 | 94.65 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | – | – | 649,448 | 94.67 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is 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, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 & March 31, 2022:

| Description | 2022-2023 | | | | |
|------------------------------|----------------|--------------|----------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 39,813,232.391 | – | 39,813,232.391 | – | 10 |
| Regular Plan - IDCW Option | 10,000.000 | – | 10,000.000 | – | 10 |
| Direct Plan - Growth Option | 18,911,650.070 | – | 18,911,650.070 | – | 10 |
| Direct Plan - IDCW Option | 1,000.000 | – | 1,000.000 | – | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

| Description | 2021-2022 | | | | Face Value per unit (Rupees) |
|------------------------------|----------------|--------------|------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan - Growth Option | 39,813,232.391 | – | – | 39,813,232.391 | 10 |
| Regular Plan - IDCW Option | 10,000.000 | – | – | 10,000.000 | 10 |
| Direct Plan - Growth Option | 18,911,650.070 | – | – | 18,911,650.070 | 10 |
| Direct Plan - IDCW Option | 1,000.000 | – | – | 1,000.000 | 10 |

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income NIL. (2022: Rs. Nil represents Penal Interest received from Bank towards delay of RTGS/NEFT).

9 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023. Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEA.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|---|----------------------|----------------------|
| | Amount (in Rs. Lacs) | Amount (in Rs. Lacs) |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during (April 22 to March 23) | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI* 50% (April 22 to March 23) * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 23)* | 6,924,530 | 1,064,717 |
| Add: Investment Income (April 22 to March 23) | 16,641,570 | 1,563,449 |
| Less: Spent during (April 22 to March 23) | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

10 Risk-o-meter Disclosure

| Scheme Name | Risk-o-meter level as on March 31,2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|----------------------------|--|---|--|
| HSBC Fixed Term Series 137 | Low to Moderate | Low to Moderate | 0 |

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

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

- 11 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 12 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 13 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 # Scheme Matured during current Financial Year.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | | HSBC FIXED TERM SERIES 139# | |
|--------------------------|---|------------------------------------|-------------------------|
| | | As at March 31, 2023 | As at March 31, 2022 |
| LIABILITIES | | | |
| 1 | Unit Capital | - | 4,282.68 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | (1,115.14) | - |
| 2.2 | Unrealised Appreciation Reserve | - | 1.25 |
| 2.3 | Other Reserves | 1,115.14 | 1,107.29 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income/Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 0.59 | 3.86 |
| TOTAL | | 0.59 | 5,395.08 |
| 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 | - | - |
| 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 | - | 2,114.48 |
| 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/Certificate of Deposits | - | 623.94 |
| 1.7 | Bill Rediscounting | - | - |
| 1.8 | Units of Domestic Mutual Fund | - | - |
| 1.9 | Foreign Securities | - | - |
| Total Investments | | - | 2,738.42 |
| 2 | Deposits | - | 12.75 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 0.59 | 0.08 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | - | 2,508.48 |
| 3.3 | Others | - | 135.35 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | | 0.59 | 5,395.08 |

Scheme matured during current Financial year

Notes to Accounts - Annexure I

Abridged Revenue Account for the Period ended March 31, 2023

Rs. in Lakhs

| | | HSBC FIXED TERM SERIES 139# | |
|-----------|--|--|--|
| | | Current Period ended May 3, 2022 | Previous Year ended March 31, 2022 |
| 1 | INCOME | | |
| 1.1 | Dividend | - | - |
| 1.2 | Interest | 20.13 | 392.77 |
| 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 | (0.84) | (28.58) |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 | Other Income | - | - |
| | (A) | 19.29 | 364.19 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | - | 7.10 |
| 2.2 | GST on Management Fees | - | 1.28 |
| 2.3 | Transfer Agents Fees and Expenses | 0.05 | 0.69 |
| 2.4 | Custodian Fees | - | 0.20 |
| 2.5 | Trusteeship Fees | - | 0.10 |
| 2.6 | Commission to Agents | 0.54 | 5.90 |
| 2.7 | Marketing & Distribution Expenses | 0.17 | 0.05 |
| 2.8 | Audit Fees | 0.13 | 0.24 |
| 2.9 | Investor Education Expenses | 0.57 | 1.06 |
| 2.10 | Interest on Borrowing | - | - |
| 2.11 | Other Operating Expenses | 0.09 | 0.35 |
| | (B) | 1.55 | 16.97 |
| 3 | NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 17.74 | 347.22 |
| 4 | Change in Unrealised Depreciation in Value of Investments | - | - |
| | (D) | - | - |
| 5 | NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 17.74 | 347.22 |
| 6 | Change in Unrealised Appreciation in Value of Investments | (1.25) | (139.59) |
| | (F) | (1.25) | (139.59) |
| 7 | NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 16.49 | 207.63 |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 1.25 | 139.59 |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 | Add/(Less) : Equalisation | - | - |
| 7.4 | Transfer from Reserve Fund | 1,107.29 | 760.07 |
| 7.5 | Transfer from Unit Premium Reserve | - | - |
| 8 | Total | 1,125.03 | 1,107.29 |
| 9 | Dividend Appropriation | | |
| 9.1 | Income Distributed during the Year | (9.89) | - |
| 9.2 | Tax on Income Distributed during the Year | - | - |
| 10 | Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 1,115.14 | 1,107.29 |

Scheme matured during current Financial year
Notes to Accounts - Annexure I

Key Statistics for the Period ended March 31, 2023

| HSBC FIXED TERM SERIES 139 # | | |
|--|---|---|
| | Current Period ended May 3, 2022 | Previous Year ended March 31, 2022 |
| 1. NAV per unit (Rs.): | | |
| Open | | |
| Regular Plan - Growth Option | 12.5676 | 12.0900 |
| Regular Plan - IDCW Option | 12.5676 | 12.0900 |
| Direct Plan - Growth Option | 12.6718 | 12.1579 |
| Direct Plan - IDCW Option | 12.6718 | 12.1579 |
| High | | |
| Regular Plan - Growth Option | 12.6054 | 12.5676 |
| Regular Plan - IDCW Option | 12.6044 | 12.5676 |
| Direct Plan - Growth Option | 12.7130 | 12.6718 |
| Direct Plan - IDCW Option | 12.7117 | 12.6718 |
| Low | | |
| Regular Plan - Growth Option | 12.5724 | 12.0964 |
| Regular Plan - IDCW Option | 10.0000 | 12.0964 |
| Direct Plan - Growth Option | 12.6771 | 12.1648 |
| Direct Plan - IDCW Option | 10.0000 | 12.1648 |
| End | | |
| Regular Plan - Growth Option | 12.6054 | 12.5676 |
| Regular Plan - IDCW Option | 10.0000 | 12.5676 |
| Direct Plan - Growth Option | 12.7130 | 12.6718 |
| Direct Plan - IDCW Option | 10.0000 | 12.6718 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | | |
| End | 5,398 | 5,391 |
| Average (AAuM) ¹ | 5,400 | 5,293 |
| 3. Gross income as % of AAuM ² | | |
| | 3.84% | 6.88% |
| 4. Expense Ratio: | | |
| a. Total Expense as % of AAuM (including GST on Management fees)(plan wise) | | |
| Regular Plan - Growth Option | 0.35% | 0.37% |
| Direct Plan - Growth Option | 0.10% | 0.11% |
| b. Management Fee as % of AAuM (plan wise) | | |
| Regular Plan - Growth Option | – | 0.16% |
| Direct Plan - Growth Option | – | 0.05% |
| 5. Net Income as a percentage of AAuM ³ | | |
| | 3.53% | 6.56% |
| 6. Portfolio turnover ratio ⁴ | | |
| | NA | NA |
| 7. Total Dividend per unit distributed during the period (plan wise): | | |
| Retail | | |
| Regular Plan - IDCW Option | 2.61 | – |
| Direct Plan - IDCW Option | 2.71 | – |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | | HSBC FIXED TERM SERIES 139 # | |
|------------------|--|--|--|
| | | Current Period ended May 3, 2022 | Previous Year ended March 31, 2022 |
| Corporate | | | |
| | Regular Plan - IDCW Option | 2.61 | – |
| | Direct Plan - IDCW Option | 2.71 | – |
| 8. | Returns (%): | | |
| | a. Last One Year | | |
| | Scheme | | |
| | Regular Plan - Growth Option ^{&&} | NA | 3.95% |
| | Direct Plan - Growth Option ^{&&} | NA | 4.23% |
| | Benchmark | | |
| | CRISI Composite Bond Fund Index | NA | 4.48% |
| | b. Since Inception | | |
| | Scheme | | |
| | Regular Plan - Growth Option | 7.54% | 7.67% |
| | Direct Plan - Growth Option | 7.82% | 7.96% |
| | Benchmark | | |
| | CRISIL Composite Bond Fund Index | 7.48% | 8.56% |

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

&& - Scheme matured on May 3, 2022

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

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 on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial year and percentages to net assets are as under :

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|---|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Non Convertible Debentures and Bonds Listed / Awaiting Listing | | | | |
| – Appreciation | – | – | 240,090 | 0.04 |
| – Depreciation | – | – | 124,750 | 0.02 |
| Government of India Securities | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | – | – |
| Treasury Bills | | | | |
| – Appreciation | – | – | – | – |
| – Depreciation | – | – | – | – |
| Certificate of Deposit | | | | |
| – Appreciation | – | – | 9,334 | ~0.00 |
| – Depreciation | – | – | – | – |

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. Nil and Rs. 273,845,918 respectively being 0% and 544.45% 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 2021-2022 (excluding accretion of discount) is Rs. 67,139,336 and Rs. 284,000,000 respectively being 12.68% and 53.66% of the average daily net assets.

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

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

- 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 |
|-------------------|-----------------|--------------------------|--------------------|--------------------------|
| | 2023 | | 2022 | |
| Debt Instruments | – | – | 211,447,682 | 39.22% |
| Total | – | – | 211,447,682 | 39.22% |

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

During the year 2022-23, 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 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|---|--|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | – | – | 53,736 | 99.47 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | – | – | 583,799 | 99.47 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is 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, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 & March 31, 2022:

| Description | 2022-2023 | | | | |
|------------------------------|----------------|--------------|----------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 33,879,441.186 | – | 33,879,441.186 | – | 10 |
| Regular Plan - IDCW Option | 378,142.772 | – | 378,142.772 | – | 10 |
| Direct Plan - Growth Option | 8,567,700.000 | – | 8,567,700.000 | – | 10 |
| Direct Plan - IDCW Option | 1,500.000 | – | 1,500.000 | – | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

| Description | 2021-2022 | | | | Face Value per unit (Rupees) |
|------------------------------|----------------|--------------|------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan - Growth Option | 33,879,441.186 | – | – | 33,879,441.186 | 10 |
| Regular Plan - IDCW Option | 378,142.772 | – | – | 378,142.772 | 10 |
| Direct Plan - Growth Option | 8,567,700.000 | – | – | 8,567,700.000 | 10 |
| Direct Plan - IDCW Option | 1,500.000 | – | – | 1,500.000 | 10 |

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income NIL. (2022: Rs. Nil represents Penal Interest received from Bank towards delay of RTGS/NEFT).
- 9 **Investor Education Awareness**

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023. Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEA.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|---|----------------------|----------------------|
| | Amount (in Rs. Lacs) | Amount (in Rs. Lacs) |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during (April 22 to March 23) | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI* 50% (April 22 to March 23) * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 23)* | 6,924,530 | 1,064,717 |
| Add: Investment Income (April 22 to March 23) | 16,641,570 | 1,563,449 |
| Less: Spent during (April 22 to March 23) | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

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

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

10 Risk-o-meter Disclosure

| Scheme Name | Risk-o-meter level as on March 31,2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|----------------------------|--|---|--|
| HSBC Fixed Term Series 139 | Low to Moderate | Low to Moderate | 0 |

- 11 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.
- 12 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.
- 13 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 14 HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited ("HSBC AMC"), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund ("HSBC Trustees") and L&T Investment Management Limited ("L&T AMC"), L&T Mutual Fund Trustee Limited ("L&T Trustee"), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund ("L&T MF Schemes") whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund ("HSBC MF Schemes") or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the "Proposed Transaction"). Securities and Exchange Board of India ("SEBI") has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 # Scheme Matured during current Financial Year.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.

Abridged Balance Sheet as at March 31, 2023

Rs. in Lakhs

| | | HSBC FIXED TERM SERIES 140# | |
|--------------------------|---|------------------------------------|-------------------------|
| | | As at March 31, 2023 | As at March 31, 2022 |
| LIABILITIES | | | |
| 1 | Unit Capital | - | 3,849.88 |
| 2 | Reserves & Surplus | | |
| 2.1 | Unit Premium Reserves | (974.43) | - |
| 2.2 | Unrealised Appreciation Reserve | - | 4.75 |
| 2.3 | Other Reserves | 974.43 | 935.49 |
| 3 | Loans & Borrowings | - | - |
| 4 | Current Liabilities & Provisions | | |
| 4.1 | Provision for Doubtful Income/Deposits | - | - |
| 4.2 | Other Current Liabilities & Provisions | 1.09 | 3.33 |
| TOTAL | | 1.09 | 4,793.45 |
| 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 | - | 2,958.08 |
| 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 | - | 322.39 |
| 1.5 | Treasury Bills | - | - |
| 1.6 | Commercial Paper/Certificate of Deposits | - | - |
| 1.7 | Bill Rediscounting | - | - |
| 1.8 | Units of Domestic Mutual Fund | - | - |
| 1.9 | Foreign Securities | - | - |
| Total Investments | | - | 3,280.47 |
| 2 | Deposits | - | 7.00 |
| 3 | Other Current Assets | | |
| 3.1 | Cash & Bank Balance | 1.09 | 0.05 |
| 3.2 | CBLO/TREPS/Reverse Repo Lending | - | 1,376.88 |
| 3.3 | Others | - | 129.05 |
| 4 | Deferred Revenue Expenditure (to the extent not written off) | - | - |
| TOTAL | | 1.09 | 4,793.45 |

Scheme matured during the current Financial Year

Notes to Accounts - Annexure I

Abridged Revenue Account for the Period ended March 31, 2023

Rs. in Lakhs

| | | HSBC FIXED TERM SERIES 140# | |
|-----------|--|--|--|
| | | Current Period ended June 15, 2022 | Previous Year ended March 31, 2022 |
| 1 | INCOME | | |
| 1.1 | Dividend | - | - |
| 1.2 | Interest | 45.19 | 350.75 |
| 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 | (12.68) | (7.65) |
| 1.6 | Realised Gains/(Losses) on Derivative Transactions | - | - |
| 1.7 | Other Income | - | - |
| | (A) | 32.51 | 343.10 |
| 2 | EXPENSES | | |
| 2.1 | Management Fees | 0.47 | 6.27 |
| 2.2 | GST on Management Fees | 0.08 | 1.13 |
| 2.3 | Transfer Agents Fees and Expenses | 0.09 | 0.51 |
| 2.4 | Custodian Fees | - | 0.18 |
| 2.5 | Trusteeship Fees | - | 0.09 |
| 2.6 | Commission to Agents | 1.10 | 5.22 |
| 2.7 | Marketing & Distribution Expenses | - | - |
| 2.8 | Audit Fees | 0.37 | 0.24 |
| 2.9 | Investor Education Expenses | 0.93 | 0.94 |
| 2.10 | Interest on Borrowing | - | - |
| 2.11 | Other Operating Expenses | 0.11 | 0.30 |
| | (B) | 3.15 | 14.88 |
| 3 | NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B) | 29.36 | 328.22 |
| 4 | Change in Unrealised Depreciation in Value of Investments | (D) 11.39 | (11.39) |
| 5 | NET GAINS/(LOSSES) FOR THE YEAR (E = C + D) | 40.75 | 316.83 |
| 6 | Change in Unrealised Appreciation in Value of Investments | (F) (4.75) | - |
| 7 | NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F) | 36.00 | 316.83 |
| 7.1 | Add : Balance Transfer from Unrealised Appreciation Reserve | 4.75 | - |
| 7.2 | Less : Balance Transfer to Unrealised Appreciation Reserve | - | - |
| 7.3 | Add/(Less) : Equalisation | - | - |
| 7.4 | Transfer from Reserve Fund | 935.49 | 618.66 |
| 7.5 | Transfer from Unit Premium Reserve | - | - |
| 8 | Total | 976.24 | 935.49 |
| 9 | Dividend Appropriation | | |
| 9.1 | Income Distributed during the Year | (1.81) | - |
| 9.2 | Tax on Income Distributed during the Year | - | - |
| 10 | Retained Surplus/(Deficit) Carried Forward to Balance Sheet | 974.43 | 935.49 |

Scheme matured during the current Financial Year
Notes to Accounts - Annexure I

Key Statistics for the Period ended March 31, 2023

| | | HSBC FIXED TERM SERIES 140 # | |
|----|---|--|--|
| | | Current Period ended June 15, 2022 | Previous Year ended March 31, 2022 |
| 1. | NAV per unit (Rs.): | | |
| | Open | | |
| | Regular Plan - Growth Option | 12.4213 | 11.9284 |
| | Regular Plan - IDCW Option | 12.4213 | 11.9284 |
| | Direct Plan - Growth Option | 12.5190 | 11.9903 |
| | Direct Plan - IDCW Option | 12.5190 | 11.9903 |
| | High | | |
| | Regular Plan - Growth Option | 12.5133 | 12.4213 |
| | Regular Plan - IDCW Option | 12.5133 | 12.4213 |
| | Direct Plan - Growth Option | 12.6185 | 12.5190 |
| | Direct Plan - IDCW Option | 12.6185 | 12.5190 |
| | Low | | |
| | Regular Plan - Growth Option | 12.4264 | 11.9374 |
| | Regular Plan - IDCW Option | 10.0000 | 11.9374 |
| | Direct Plan - Growth Option | 12.5246 | 11.9997 |
| | Direct Plan - IDCW Option | 10.0000 | 11.9997 |
| | End | | |
| | Regular Plan - Growth Option | 12.5132 | 12.4213 |
| | Regular Plan - IDCW Option | 10.0000 | 12.4213 |
| | Direct Plan - Growth Option | 12.6185 | 12.5190 |
| | Direct Plan - IDCW Option | 10.0000 | 12.5190 |
| 2. | Closing Assets Under Management (Rs. in Lakhs) | | |
| | End | 4,824 | 4,790 |
| | Average (AAuM) ¹ | 4,808 | 4,700 |
| 3. | Gross income as % of AAuM ² | - | 7.30% |
| 4. | Expense Ratio: | | |
| | a. Total Expense as % of AAuM (including GST on Management fees (plan wise)) | | |
| | Regular Plan - Growth Option | 0.36% | 0.37% |
| | Direct Plan - Growth Option | 0.10% | 0.11% |
| | b. Management Fee as % of AAuM (plan wise) | | |
| | Regular Plan - Growth Option | 0.06% | 0.16% |
| | Direct Plan - Growth Option | - | 0.05% |
| 5. | Net Income as a percentage of AAuM ³ | 2.93% | 6.98% |
| 6. | Portfolio turnover ratio ⁴ | NA | NA |
| 7. | Total Dividend per unit distributed during the period (plan wise): | | |
| | Retail | | |
| | Regular Plan - IDCW Option | 2.51 | - |
| | Direct Plan - IDCW Option | 2.62 | - |

Key Statistics for the year ended March 31, 2023 (Contd...)

| | | HSBC FIXED TERM SERIES 140 # | |
|------------------|----------------------------------|--|--|
| | | Current Period ended June 15, 2022 | Previous Year ended March 31, 2022 |
| Corporate | | | |
| | Regular Plan - IDCW Option | 2.51 | – |
| | Direct Plan - IDCW Option | 2.62 | – |
| 8. | Returns (%): | | |
| | a. Last One Year | | |
| | Scheme | | |
| | Regular Plan - Growth Option## | NA | 4.13% |
| | Direct Plan - Growth Option## | NA | 4.41% |
| | Benchmark | | |
| | CRISIL Composite Bond Fund Index | NA | 4.48% |
| | b. Since Inception | | |
| | Scheme | | |
| | Regular Plan - Growth Option | 7.40% | 7.68% |
| | Direct Plan - Growth Option | 7.69% | 7.97% |
| | Benchmark | | |
| | CRISIL Composite Bond Fund Index | 6.88% | 8.46% |

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

Scheme matured on June 15, 2022

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

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 a % to Net Assets as on year ended March 31, 2023 and March 31, 2022 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 |
|--------|-----------------|--------|--------------------------------------|--------|--------------------------------------|
| | | 2023 | | 2022 | |
| Nil | | | | | |

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as on the year ended March 31, 2023 and March 31, 2022 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default as on March 31, 2023 and as on March 31, 2022 are NIL.
- 1.6. Aggregate Unrealised Gain/(Loss) as at the end of the financial year and percentages to net assets are as under:

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|--|-----------------|--------------------------|-----------------|--------------------------|
| | 2023 | | 2022 | |
| Non Convertible Debentures and Bonds Listed/ Awaiting Listing | | | | |
| - Appreciation | - | - | 484,683 | 0.10 |
| - Depreciation | - | - | 9,933 | ~0.00 |
| Government of India Securities | | | | |
| - Appreciation | - | - | - | - |
| - Depreciation | - | - | 1,139,278 | 0.24 |
| Treasury Bills | | | | |
| - Appreciation | - | - | - | - |
| - Depreciation | - | - | - | - |

~ Indicates less than 0.01

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2022-2023 (excluding accretion of discount) is Rs. 0 and Rs. 327,632,080 respectively being 0% and 327.26% 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 2021-2022 (excluding accretion of discount) is Rs. 10,218,789 and Rs. 124,000,000 respectively being 2.17% and 26.38% 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, 2023

| Security Category | Amount (Rupees) | Percentage to Net Assets | Amount (Rupees) | Percentage to Net Assets |
|-------------------|-----------------|--------------------------|--------------------|--------------------------|
| | 2023 | | 2022 | |
| Debt Instruments | – | – | 295,807,641 | 61.75 |
| Total | – | – | 295,807,641 | 61.75 |

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

During the year 2022-23, 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 2021-22, 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 [Rupees] | % of Total commission paid by the Fund |
|---|---|----------------|--------------------------------|--|--------------------------|--|
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2022-2023 | – | – | 105,327 | 95.98 |
| The Hongkong and Shanghai Banking Corporation Limited | Group Company | 2021-2022 | – | – | 497,746 | 95.96 |

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is 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, 2023 and March 31, 2022.
- 4 Unit Capital movement during the year ended March 31, 2023 & March 31, 2022:

| Description | 2022-2023 | | | | |
|------------------------------|----------------|--------------|----------------|---------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | Face Value per unit (Rupees) |
| Regular Plan - Growth Option | 30,183,397.374 | – | 30,183,397.374 | – | 10 |
| Regular Plan - IDCW Option | 65,800.000 | – | 65,800.000 | – | 10 |
| Direct Plan - Growth Option | 8,243,600.000 | – | 8,243,600.000 | – | 10 |
| Direct Plan - IDCW Option | 6,000.000 | – | 6,000.000 | – | 10 |

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

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

| Description | 2021-2022 | | | | Face Value per unit (Rupees) |
|------------------------------|----------------|--------------|------------|----------------|------------------------------|
| | Opening Units | Subscription | Redemption | Closing Units | |
| Regular Plan - Growth Option | 30,183,397.374 | – | – | 30,183,397.374 | 10 |
| Regular Plan - IDCW Option | 65,800.000 | – | – | 65,800.000 | 10 |
| Direct Plan - Growth Option | 8,243,600.000 | – | – | 8,243,600.000 | 10 |
| Direct Plan - IDCW Option | 6,000.000 | – | – | 6,000.000 | 10 |

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2023 and March 31, 2022.
- 7 Expenses other than Management Fees and Audit Fees are Inclusive of GST where applicable.
- 8 Other income Nil. (2022: Rs. 0 represents Penal Interest received from Bank towards delay of RTGS/NEFT).

9 Investor Education Awareness

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). 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, 2023. Pursuant to SEBI circular dated May 23, 2022, w.e.f. July 01, 2022, the limit of 0.02% p.a. has been reduced to 0.01% p.a. in case of ETFs/Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEA.

The break-up of which is as under:

| Particulars | March 31, 2023 | March 31, 2022 |
|---|----------------------|----------------------|
| | Amount (in Rs. Lacs) | Amount (in Rs. Lacs) |
| Opening Balance as on April 01, 2022 | 46,022,299 | 37,349,328 |
| Add: Accrual during (April 22 to March 23) | 143,199,816 | 23,850,564 |
| Less: Transferred to AMFI* 50% (April 22 to March 23) * | 64,675,378 | 10,860,565 |
| Less: Payable to AMFI (March 23)* | 6,924,530 | 1,064,717 |
| Add: Investment Income (April 22 to March 23) | 16,641,570 | 1,563,449 |
| Less: Spent during (April 22 to March 23) | 34,555,007 | 4,815,759 |
| Closing Balance as on March 31, 2023 | 99,708,770 | 46,022,299 |

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

The IEA disclosure's are presented for surviving schemes only.

- 10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.

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

To the Abridged Balance Sheet and Revenue Account for the Period ended March 31, 2023

11 Risk-o-meter Disclosure

| Scheme Name | Risk-o-meter level as on March 31,2022 | Risk-o-meter level at end of the financial year i.e. March 31, 2023 | Number of changes in Risk-o-meter during the financial year (April 2022 to March 2023) |
|----------------------------|--|---|--|
| HSBC Fixed Term Series 140 | Low to Moderate | Low to Moderate | 0 |

- 12 Securities, excluding debt securities, where the non-traded investments which have been valued “in good faith” exceed 5% of the net assets at the end of the year is NIL.
- 13 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.
- 14 HSBC Securities and Capital Markets (India) Private Limited (“HSCI”), the sponsor of the HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“HSBC AMC”), the asset management company of the HSBC Mutual Fund and the Board of Trustees of the HSBC Mutual Fund (“HSBC Trustees”) and L&T Investment Management Limited (“L&T AMC”), L&T Mutual Fund Trustee Limited (“L&T Trustee”), that are then existing asset management company and trustee company of L&T Mutual Fund, respectively and L&T Finance Holdings Limited, the then existing sponsor of the L&T Mutual Fund had entered into a transfer agreement dated 23 December 2021 which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“L&T MF Schemes”) whereby HSCI will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes, amongst other changes related to L&T MF Schemes (including the changes to the fundamental attributes to L&T MF Schemes), which will be considered to be an integral part of the HSBC Mutual Fund; (ii) merger/consolidation of identified L&T MF Schemes with identified schemes of HSBC Mutual Fund (“HSBC MF Schemes”) or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “Proposed Transaction”). Securities and Exchange Board of India (“SEBI”) has, pursuant to its letter no. SEBI/HO/IMD/IMD RAC 2/OW/2022/51915/1 dated October 11, 2022 and letter no. SEBI/HO/IMD/IMD/RAC2/P/OW/2022/52483/1 dated October 14, 2022, provided its no-objection to the aforesaid Proposed Transaction. Further, the Proposed Transaction was also approved by the respective board of directors of HSBC AMC, HSBC Trustee and the L&T AMC, and the L&T Trustees. Accordingly, L&T MF Schemes have been transferred to and formed part of HSBC Mutual Fund on and from the close of business hours on November 25, 2022.
- 15 # Scheme matured during current Financial Year.
- 16 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, as amended, 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 July 10, 2023 and July 11, 2023 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 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.

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 is forming part of our full Annual Report for the Financial Year 2022 – 23 which has been uploaded on our website at <http://www.assetmanagement.hsbc.co.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 i) an offer or recommendation to buy or sell securities, commodities, currencies or other investments referred to herein; or ii) an offer to sell or a solicitation or an offer for purchase of any of the funds of HSBC Mutual Fund; or iii) an investment research or investment advice. 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.

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

Important Updates

PAN-Aadhar Linking

As per the Income Tax rules, from 1st July 2023, the PAN of investors who have failed to link their Aadhaar shall become inoperative. To check if your PAN Aadhaar is linked or if you wish to link your PAN to Aadhaar, please visit <https://eportal.incometax.gov.in/iec/foservices/#/pre-login/bl-link-aadhaar>

Please note

- From 1st July, all financial transactions and service requests cannot be processed for a PAN that is not linked with Aadhaar.
- IDCW (Income Distribution cum Capital Withdrawal) will attract higher tax at 20% instead of 10% for Resident Indians who have 'not linked' their PANs to Aadhaar.

Nomination Opt-in / Opt-out

As per the recent SEBI circular, investors should either nominate or opt-out from nomination in their investments, on or before 30th September 2023. This requirement has been mandated to avoid any inconvenience that may be caused to your family members, in case of any unfortunate event (s).

If the required details are not registered within the stipulated timelines, all debits like Redemption/SWP/Switch/STP will not be permitted in those folios from 1st October 2023.

We, therefore, request you to either Register Nominee(s) or Opt-out from Nomination by providing a declaration in your folios on or before 30th September 2023.

Useful Links for self service options

- **Use our 24 x 7 Chatbot - "ASKME" for any queries or service request:**
visit: <https://invest.assetmanagement.hsbc.co.in>

SMS your request to HSBC Mutual Fund

- **Latest NAV :** Send SMS as HSBCMF NAV <Scheme Code> to 56767
Example: HSBCMF NAV F03
- **Valuation Service on registered mobile No. :** Send SMS as HSBCMF VAL <folio_number> to 56767
Example: HSBCMF VAL 123456
- **Annual Report :**
For Electronic Copy: Send SMS as HSBCMFARE <folio_number> to 567678080
Example: HSBCMF ARE 123456
For Physical Copy: Send SMS as HSBCMFARP <folio_number> to 567678080
Example: HSBCMF ARP 123456
- **Half Yearly Portfolio :**
For Electronic Copy: Send SMS as HSBCMFHPE <folio_number> to 567678080
Example: HSBCMF HPE 123456
For Physical Copy: Send SMS as HSBCMFHPP <folio_number> to 567678080
Example: HSBCMF HPP 123456

Missed Call Service

- You can give a missed call to 9212900020 to get the total valuation via SMS and a statement on your registered email ID

Book-Post

If undelivered please return to:

Computer Age Management Services Private Limited (CAMS)

Unit: HSBC Mutual Fund

New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

HSBC Asset Management (India) Private Limited

CIN NO: U74140MH2001PTC134220






9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway,
Goregaon (East), Mumbai 400 063, India.

Website : www.assetmanagement.hsbc.co.in

| Description | Toll Free Number | Email ID |
|--------------------------------|-----------------------------|--------------------------------------|
| Investor related queries | 1800-4190-200/1800-200-2434 | investor.line@mutualfunds.hsbc.co.in |
| Online related queries | 1800-4190-200/1800-200-2434 | onlinemf@mutualfunds.hsbc.co.in |
| Investor (Dialing from abroad) | +91 44 39923900 | investor.line@mutualfunds.hsbc.co.in |

To manage your services, please check the below options :

| | | |
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| Web  | HSBC MF Invest Xpress App  | Send "Hi" to 9326929294 via Whatsapp  |
|--|--|---|

Remember, you can also find out more via our social media handles !     

For more details, contact your Mutual Fund Distributor.

Please check our website www.assetmanagement.hsbc.co.in for an updated list of Official Points of Acceptance of HSBC Mutual Fund.

CAMS SERVICE CENTRES / CAMS LIMITED TRANSACTION POINTS / CAMS COLLECTION CENTRES

For details on CAMS Service Centres, please visit www.camsonline.com