

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.

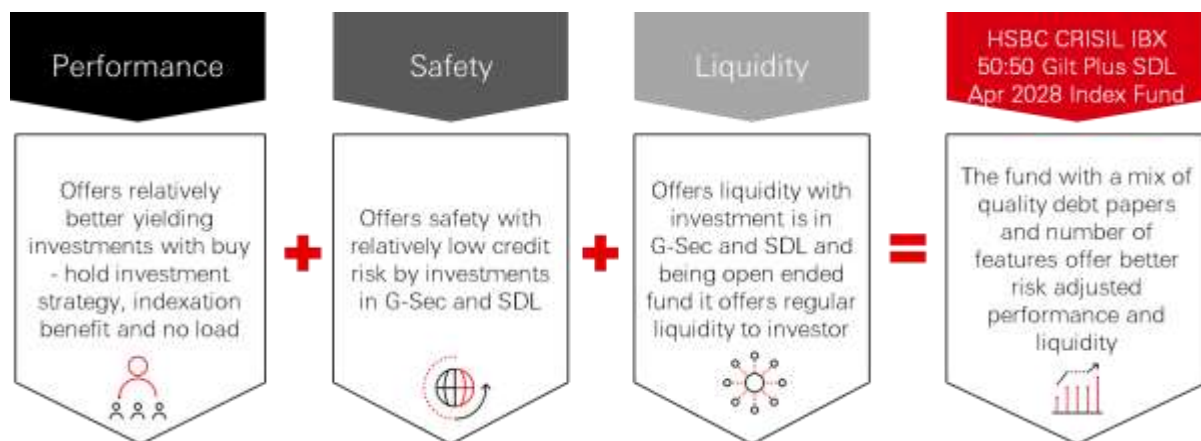
Date: November 2022

Target Maturity Index Funds (TMIF)

TMIF category focuses on adequate carry at the 6 yr (2028) point of the curve. It offers relatively less volatility as compared to 10 years and above segment, which can be vulnerable to excessive bond supply. The fund also offer tax benefits for investors who intend to hold beyond 3-years plus.

HSBC CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index Fund (HGSF)

The investment objective of the Scheme is 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.



Why invest Now in HGSF - HSBC CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index Fund (HGSF)

- The fund will invest in the constituents of CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028
- Invests in 50:50 proportion of quality G-Sec and SDL papers
- A roll down fund strategy to take benefits of better yields
- Regular liquidity with open ended nature of the fund and no exit load
- While yields have moved lower across the short to medium end of the yield curve and hence also at the 6 yr point of the curve in the last few weeks, the carry still remains attractive and roll-down presents an opportunity for the same over a 3 yr + time-frame
- Further, the fund remains an attractive proposition for investors who intend to hold till maturity (April 2028), despite near term volatility

Why SDL?

- Credit Risk Similar to G-Sec
- Liquid instruments which trade above the G-Sec Curve
- Potential to deliver Market linked Returns

Why G-Sec?

- Gsecs issued by the government, safest investment option
- G-sec yields are currently better than FDs
- G-Sec segment offers better management of cash flows with better liquidity leading to lower impact cost

Why consider Target Maturity Index Funds (TMIF)?

- RBI front loading hikes could impact short end yield curve adversely
- TMIF serves as better alternative to Fixed Deposits offered by banks as current bank deposit interest rates are relatively low
- TMIF offers relatively better yield by diversifying into State development Loans (SDL)
- Offers better liquidity as investments are in G-Sec and SDL and open ended nature of the scheme offers anytime redemption feature
- Relatively low credit risk due to investment in G-Sec & SDL with ratings equivalent to sovereign papers
- Duration risk keeps reducing over years with defined maturity date
- Negates duration risk if one remain invested through the life of the fund
- Buy to hold investment strategy (roll down maturity product)

Find the right opportunity to meet your financial goals

	Target Maturity Funds	Active Debt Funds	Bond
Liquidity	Yes	Yes	No ¹
Diversification	Yes	Yes	No
Professional Management	Yes	Yes	No
Defined Maturity	Yes	No	Yes
Tax Efficiency	Yes ²	Yes ²	Yes ³

Funds with Power of Indexation - Illustration on Indexation

	Traditional Savings Scheme	Tax free bonds ^{^^}	Taxable bonds ^{^^^}	Debt Index Fund (e.g. TMIF)
Investment (Rs.)	100000	100000	100000	1,00,000
Rate of Return (%) (assumed) ^{1, 2}	7.42%	5.40%	7.42%	7.42%
Maturity Returns + Investment (Rs.)	148867	133958	148867	148867
Maturity Returns + Investment (Post expenses) (Rs.)				145812
Calculation:				
Indexation	No	No	No	Yes
Indexed Value	N/A	N/A	N/A	1,34,010
Taxable Income (Rs.) ³	48867	33958	48867	11802
Tax Payable (Rs.)	14660	0	14660	2360
Post Tax & Post Expenses Gain (Rs.)	34207	33958	34207	43451
Maturity Returns + Investment: Post Tax + Indexation - Expenses (Rs.)	134207	133958	134207	143451
Effective Final Post tax and expenses Return (CAGR%)	5.44%	5.40%	5.44%	6.71%

Summary - Find the right opportunity to meet your financial goals with HGSF

- HGSF aims to track the index performance while offering safety and liquidity
- Offers safety with relatively low credit risk by investments in G-Sec and SDL
- Volatile & less lucrative outlook on long term securities makes the 6-year segment relatively attractive
- Open ended fund with target maturity and No Exit Load offers regular liquidity
- Offers tax benefits with 6 indexations
- HGSF with a mix of quality debt papers offer better risk adjusted performance.

Source: HSBC Asset Management, Bloomberg, For illustration purpose only. Past performance may or may not be sustained in the future. Refer to the Roll down strategy as explained on page 3. ^^ Tax Free Bond - Rate of return assumed based on current select available PSU tax free bonds with ~5 year maturity, Taxable Bond - Rate of return assumed based on 5 year PSU Bond yield.

Table 1 - 1. Bond liquidity may vary due to dynamics of the debt markets, 2. Indexation available for LTCG, 3. Indexation available for LTCG in select bonds. Investors should consult financial advisors for ideal portfolio allocation and suitability of funds which may be based on the risk profile of the investor.

Table 2 - 1. assuming investments are made on 10 Oct 2022 and held till 30 April 2028. For Debt Index Fund (e.g. TMIF) - current 6 year benchmark Gsec (7.17 GS 2028) is used. 2. Hypothetical fixed deposit rate assumed in case of Traditional Savings Scheme option. 3. Tax Rate considered 30% exclusive of applicable surcharges & cess in case of Traditional Savings Scheme. Debt Index Fund - Tax as per LTCG Income tax provisions exclusive of applicable surcharges & cess, Expenses Assumed at 0.40% per annum only in case of TMIF, This computation is for resident individual investors. Cost inflation index assumed at 5%p.a. These are not to be considered for investment advice or guarantee of returns. Investors are advised to consult their Financial Advisor. Past performance may or may not be sustained in the future.

Fund Details



Fund Manager

Kapil Punjabi



AUM (as on 31.10.22)

1633.37 Cr



Benchmark

CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index ¹



Inception Date

31 March 2022



Minimum Investment

Lumpsum	SIP	Additional Purchase
₹ 5,000	₹ 500	₹ 1,000

Entry Load

NA

Exit Load

Nil



Average Maturity

4.93 years

Modified Duration

3.96 years

Macaulay Duration

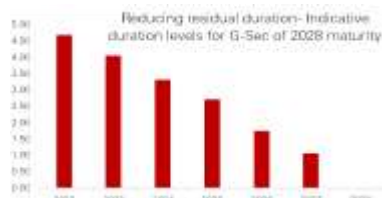
4.11 years

Yield to Maturity ¹

7.58%

Roll-down strategy illustration

- Roll Down strategy is an accrual strategy
- Generally used in elevated rates environment
- Seek to earn only coupons/yield at regular intervals from its underlying portfolio by buying and holding security
- The average maturity of the scheme's portfolio, as a consequence, decreases with the passage of time.
- Low- interest rate risk: The strategy avoid impact from the expected increase in interest rates over time.
- It is useful for capturing higher present yield at any point of curve and gradually move towards shorter end of the curve which is less susceptible to interest rate risk.





Portfolio

Issuer	Rating	% to Net Assets
Government Securities		98.39%
7.38% GOI 20JUN2027	SOVEREIGN	16.66%
GOI 06.79% 15MAY2027	SOVEREIGN	14.49%
GOI 08.28% 21SEP27	SOVEREIGN	7.35%
GOI 07.17% 08JAN28	SOVEREIGN	6.50%
8.05% GUJARAT SDL 31JAN2028	SOVEREIGN	6.37%
7.88% MADHYA PRADESH 24JAN28 SDL	SOVEREIGN	5.37%
8.05% TAMILNADU SDL 18APR2028	SOVEREIGN	4.70%
6.97% KARNATAKA 26FEB2028 SDL	SOVEREIGN	4.53%
GOI 08.26% 02AUG2027	SOVEREIGN	4.52%
6.97% MAHARASHTRA 18FEB2028 SDL	SOVEREIGN	3.33%
6.98% MAHARASHTRA 26FEB2028 SDL	SOVEREIGN	2.12%
8.43% TAMIL NADU SDL RED 07-MARCH-2028	SOVEREIGN	1.61%
8.34% TAMIL NADU 28FEB28 SDL	SOVEREIGN	1.60%
8.20% HARYANA 31JAN28 SDL	SOVEREIGN	1.60%
7.86% RAJASTHAN SDL 27DEC2027	SOVEREIGN	1.59%
8.28% TAMILNADU SDL 14MAR2028	SOVEREIGN	1.59%
7.82% KARNATAKA 27Dec2027 SDL	SOVEREIGN	1.59%
7.92% UTTAR PRADESH 24JAN2028 SDL	SOVEREIGN	1.58%
7.77% ANDHRA PRADESH SDL RED 10-JAN-2028	SOVEREIGN	1.58%
8.00% SDL-KERALA M- 11-APR-2028	SOVEREIGN	1.56%
8.14% HARYANA 27MAR28 SDL	SOVEREIGN	1.35%
8.00% KARNATAKA SDL RED 17-JAN-2028	SOVEREIGN	1.27%
7.54% KARNATAKA 22 Nov 2027 SDL	SOVEREIGN	0.95%
8.14% SDL Uttarakhand 27Mar2028	SOVEREIGN	0.95%
7.51% KARNATAKA 11OCT2027 SDL	SOVEREIGN	0.92%
8.03% KARNATAKA SDL 31JAN2028	SOVEREIGN	0.64%
8.15% CHHATTISGARH 27MAR28 SDL	SOVEREIGN	0.63%
7.50% TELANGANA SDL RED 15-APR-2028	SOVEREIGN	0.61%
7.64% GUJARAT 08NOV27 SDL	SOVEREIGN	0.47%
8.28% RAJASTHAN SDL RED 21-FEB-2028	SOVEREIGN	0.32%
7.64% KARNATAKA SDL RED 08-NOV-2027	SOVEREIGN	0.04%
Cash Equivalent		1.61%
TREPS*		0.59%
Reverse Repos		1.02%
Net Current Assets		0.00%
Total Net Assets as on 31-OCTOBER-2022		100.00%

*TREPS : Tri-Party Repo

1. YTM Based on invested Amount *TREPS : Tri-Party Repo, Data as at 31 October 2022

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.

Scheme Name	Scheme Risk-o-meter	Benchmark Risk-o-meter
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) This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Income over target maturity period Investment in constituents similar to the composition of CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028 	 <p>RISKOMETER</p> <p>Investors understand that their principal will be at Moderate risk</p>	Scheme Benchmark: CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028  <p>RISKOMETER</p>

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

Potential Risk Class			
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 Relatively Low credit risk			

Please note that the above risk-o-meter is as per the product labelling of the scheme available as on the date of this communication/ disclosure. 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 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.

Source: HSBC Asset Management India, Bloomberg, For illustration purpose only. For complete details on the index refer to SID.. Investors should consult financial advisors for ideal portfolio allocation and suitability of funds which may be based on the risk profile of the investor. Past performance may or may not sustained in the future

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