HSBC Asset Management

HSBC Cash Fund (HCF)

An Open Ended Liquid Scheme. Relatively low interest rate risk and relatively low credit riska.

Date: November 2022

Fund Details

Fund Manager
Kapil Punjabi

AUM (as on 31.10.22)
3820.18 Cr

Benchmark
CRISIL Liquid Fund A-I Index [2, 3]

Inception Date
04 December 2002

Minimum Investment

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

Average Maturity	28.12 Days
Modified Duration	28.01 Days
Macaulay Duration	28.12 Days
Yield to Maturity[1]	6.48%

	Investor exit upon subscription	Exit Load as a % of redemption proceeds
Exit Load	Day 1	0.0070%
	Day 2	0.0065%
	Day 3	0.0060%
	Day 4	0.0055%
	Day 5	0.0050%
	Day 6	0.0045%
	Day 7 Onwards	0.0000%

Above Exit Load shall be applicable if switched out/redeemed within 7 Calendar Days.

Current Portfolio Strategy – Focus On High Quality Credit and Optional Liquidity

- The entire Money-market curve is centric to the overnight funding cost. The overnight funding cost is now above the SDF rate of 5.65% given the increase in SDF and repo rates in August policy and tightening in liquidity conditions.
- The RBI's trajectory in terms of further rate hikes will determine the evolution of the money market and the short end of the yield curve.
- Average liquidity surplus has come down in the past few months given FX outflows and increase in currency in circulation in festival months. Overall, we remain neutral on duration in HSBC Cash Fund.

Investment Objective:

Aims 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 or guarantee that the investment objective of the scheme would be achieved.

Product Note

1 YTM Based on invested Amount

2 SEBI vide its circular no. SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652 dated October 27, 2021, on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark. Furthermore , the same is effective from 01 December 2021. 3 Fund's benchmark has changed with effect from April 01, 2022.

The fund may undergo merger/consolidation along with changes to their fundamental attributes as per the notice published on 14 Oct '22. For more details visit our website page - https://www.assetmanagement.hsbc.co.in/en/mutual-funds/acquisition-of-lt-mutual-fund.

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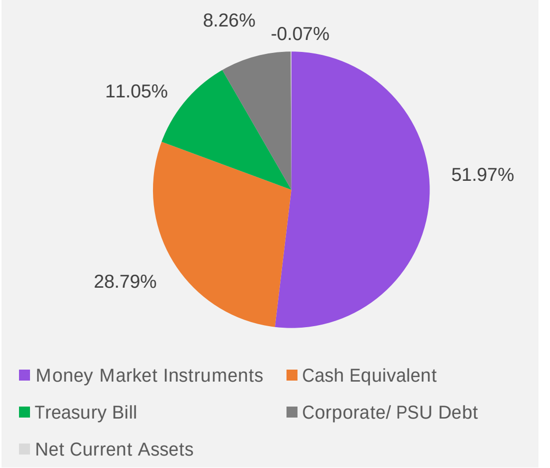
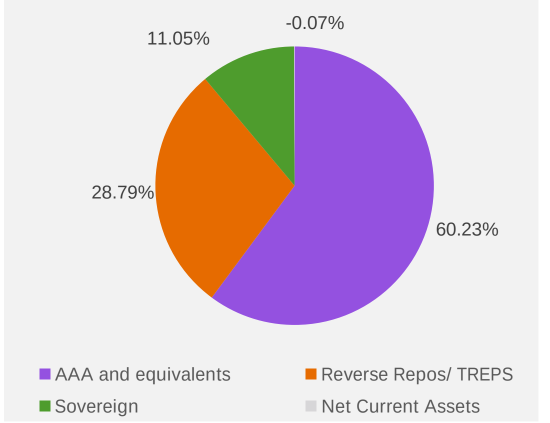
Portfolio

Issuer	Rating	% to Net Assets
Corporate/ PSU Debt		
Corporate Bonds / Debentures		8.26%
Reliance Industries Limited Top 10	CRISIL AAA	2.80%
Power Finance Corporation Limited	CRISIL AAA	1.82%
L & T Finance Ltd.	CRISIL AAA	1.41%
National Highways Authority of India	CRISIL AAA	1.40%
Hindustan Petroleum Corporation Limited	CRISIL AAA	0.83%
Money Market Instruments		
Certificate of Deposit		18.84%
Canara Bank Top 10	CRISIL A1+	7.78%
HDFC Bank Limited Top 10	CARE A1+	5.86%
Axis Bank Limited Top 10	CRISIL A1+	3.90%
Kotak Mahindra Bank Limited	CRISIL A1+	1.30%
Commercial Paper		33.13%
Reliance Retail Ventures Ltd. Top 10	CRISIL A1+	5.21%
Small Industries Development Bank of India Top 10	CARE A1+	5.20%
Kotak Securities Limited Top 10	CRISIL A1+	3.92%
HDFC Securities Limited Top 10	CRISIL A1+	3.91%
Reliance Jio Infocomm Limited Top 10	CRISIL A1+	3.87%
ICICI Securities Limited Top 10	CRISIL A1+	3.87%
ICICI Home Finance Limited	ICRA A1+	2.61%
Bajaj Finance Limited	CRISIL A1+	2.58%
LIC Housing Finance Limited	CRISIL A1+	1.31%
Indian Oil Corporation Limited	CRISIL A1+	0.65%
Treasury Bill		11.05%
182 DAYS T-BILL 01DEC22	SOVEREIGN	4.56%
182 DAYS T-BILL 22DEC22	SOVEREIGN	2.60%
182 DAYS T-BILL 29DEC2022	SOVEREIGN	2.59%
91 DAYS T-BILL 22DEC22	SOVEREIGN	1.30%
Cash Equivalent		28.72%
TREPS*		10.53%
Reverse Repos		18.26%
Net Current Assets		-0.07%
Total Net Assets as on 31-OCTOBER-2022		100.00%

Asset Allocation



Rating Profile



Ratings allocation in HCF

Currently HCF has invested ~60.23% in instruments (AAA and equivalent), while ~11.05% held in Sovereign.

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Core Strategy

HSBC Mutual Funds Fixed Income investment team operate on three core pillars for HSBC Cash Fund:

1) Robust Risk Management
   - Risk Management is core to the way we do business. It's our endeavor to bring the same in management of HSBC Cash Fund.
   - Based on our risk norms, in HSBC Cash Fund we hold quality debt papers, apart from cash instruments. This ensures that the papers we invest in, provide adequate liquidity.
   - This is critical as capital conservation is our prime focus.

2) Proactive Liquidity Measures
   - To ensure optimal liquidity to suit the investor's requirements in various situations, our fund managers follow stringent liquidity norms.

3) Optimising Returns
   - While keeping in mind the investors low risk appetite and liquidity requirements, our fund managers avoid taking large interest rate risks in the portfolio. All the credits are extensively screened and approved by the internal credit committee.

Fund Positioning – HSBC Cash Fund (HCF)

To ensure optimal liquidity and better risk adjusted performance to suit the investor's requirements in various situations, our fund manager follow stringent liquidity, credit risk and interest rate risk norms.

- Liquidity risk
  In a stressed liquidity scenario, the fund manager would find it difficult to sell the Commercial Papers (CPs) as they tend to become less liquid during such time. HSBC Cash Fund aims to maintains about 40% non CPs (which comprises of liquid CDs and cash). This includes cash between 5 to 10%.

- Credit risk
  The portfolio comprises of high credit quality papers. HSBC MF follows a thorough credit evaluation process and generally aims to restrict investments to minimum A1+ entities for HCF, A1+ is the highest possible short term rating.

- Interest rate risk
  HSBC MF's internal investment policy restricts the maximum portfolio weighted average maturity of HSBC Cash Fund to 60 days. This reduces interest rate risk relative to market from adverse movements in interest rates.

Investment Guidelines

HSBC Mutual Fund's (HSBC MF) investment guidelines are more stringent than regulatory prescribed guidelines and general market practices

- HCF invests predominantly in instruments rated minimum A1+ and generally does not invest more than 60% in CPs.
- Maximum exposure for non-state owned banks generally will not exceed 5% and state owned banks exposure will not exceed 10%

Product Note

1 YTM Based on invested Amount
2 SEBI vide its circular no. SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652 dated October 27, 2021, on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark. Furthermore , the same is effective from 01 December 2021. 3 Fund's benchmark has changed with effect from April 01, 2022.

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Rationale on existing credit exposures*

1. Canara Bank: Canara Bank is one of India's larger PSBs, with total advances and deposits of Rs 8.24 lakh crore and Rs 11.33 lakh crore, respectively, as on September 30, 2022. The merger of Syndicate Bank has also strengthened the market position of the bank. It has a Pan-India branch presence, with around 9,722 domestic branches and 10,759 automated teller machines (ATMs) across the country on the same date. It also has overseas branches at three locations. Revenue is diversified across businesses, products and geographies, augmenting the strong overall market position. The bank has a strong franchise in the large and mid-size corporate banking segments. Besides banking, it undertakes factoring, asset management, insurance and retail and institutional broking services through its subsidiaries and associates. The asset quality of the bank, with gross non-performing assets (NPAs) of 6.37% as on September 30, 2022 (7.51% as on March 31, 2022) remains modest, albeit with an improving trend.

2. HDFC Bank Ltd: HDFC Bank is the largest private sector bank in India. It offers a wide range of banking services, including commercial and transactional banking in the wholesale segment, and branch banking in the retail segment, with focus on car finance, business banking loans, commercial vehicle finance, credit cards, and personal loans. The bank acquired Centurion Bank of Punjab in May 2008. It has three overseas branches, one each in Dubai, Bahrain, and Hong Kong, as well as two representative offices, one each in the United Arab Emirates and Kenya. Further, the bank also has an Offshore Banking Unit at International Financial Service Centre (IFSC), at GIFT City, Gandhinagar in Gujarat. The bank is a market leader in non-mortgage retail asset segments such as commercial vehicles and car financing. It has also been expanding its geographical reach over the past few years; and has set up new branches primarily in semi-urban and rural areas. As on March 31, 2022, the bank had 6,342 branches.

   The bank is present in the broking business via HDFC Securities Ltd, which also operates as a third-party distributor of mutual fund products, insurance, initial public offerings, fixed deposits, bonds and non-convertible debentures. HDB Financial Services Ltd is a non-deposit-taking non-banking financial company, offering loans against property, commercial vehicle and construction equipment loans, and small and medium-sized enterprises financing.

3. Reliance Retail Ventures Ltd (RRVL): RRVL continues to consolidate its position as India's largest retailer by revenue, scale and profits. The company's strong market position is reflected in its leadership position across several formats and has been supported by consistent revenue and profit growth. The company has been expanding its footprint by adding stores, expanding reach of its digital and new commerce platforms and enhancing product and service offerings. It is widely spread in tier-2 and tier-3 cities, with a network of 15,866 stores, as on June 30, 2022.RRVL has successfully been able to ramp up JioMart, India's largest hyperlocal platform operating across over 268 cities. Through its New Commerce initiative, RRVL is linking producers with small merchants and consumers to create a win-win partnership model. The New Commerce merchant partner footprint has been expanded to more than 300 cities for grocery and 3,500+ cities for Fashion & Lifestyle, leveraging its investments in sourcing, product design and development, supply chain and technology.

4. Small Industries Development Bank of India: Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, is the principal financial institution for the promotion, financing and development of the micro, small and medium Enterprise (MSME) sector in India. SIDBI provides finance in two forms viz. indirect finance by way of long term loans, working capital facilities, discounting/rediscounting bills of exchange and refinance to Primary Lending Institutions and Micro Finance Institutions. SIDBI is also among the top 30 Development Banks of the World. SIDBI has 3 subsidiaries: SIDBI Venture Capital, SIDBI trustee Co and the newly created MUDRA. Following an amendment to the SIDBI Act in 2000, the equity held by IDBI was transferred to various PSU banks, government-owned insurance companies and financial institutions. is jointly owned by the GoI (largest shareholder with a stake of 20.85%), SBI (with a stake of 15.65% as on March 31, 2022), LIC (13.33%) and other PSBs (the balance). SIDBI is the nodal agency for government schemes targeted towards the MSME sector and in the past SIDBI has received budgetary support, support from RBI and GOI guarantee of foreign government borrowing suggesting implicit GOI support.

5. Kotak Securities Ltd: The strength of the entity is derived from being a key subsidiary of the Kotak Bank and the broking entity in the group. In addition, the entity has a very strong standalone business and financial profile. Over the last 15 years' entity has seen growth and stability which translates that entity has witnessed several business cycles. Overall, the strength of its standalone profile and the backing of the group, standout as clear positives. In addition, the company has fared well through the recent pandemic related volatility without witnessing any stress in the margin funding portfolio which emphasizes the strength of the processes of the entity.

6. HDFC Securities Ltd: The strength of the entity is derived from being a key subsidiary of HDFC Bank and the flagship broking entity in the group. In addition, the entity has a very strong standalone business and financial profile. The entity has a strong market share and diversified revenue streams from broking, mutual fund distribution and insurance distribution and investment banking. Furthermore, entity's long vintage is an added comfort.

7. Axis Bank Ltd: It is the third-largest private sector bank with a diverse business mix as reflected in a well-spread out loan portfolio with more than half of it being granular retail. Capitalisation for Axis Bank is at healthy levels and the bank has demonstrated its ability to raise equity capital from the markets, both debt and equity side. Overall, the bank's large size, proven ability to raise capital and good resource profile are the key positive drivers for investing in the bank. In addition, large size also lends the bank its systemic importance which is an overriding comfort.

8. Reliance Jio Infocomm Limited (RJIL): RJIL is a wholly owned subsidiary of Jio Platforms Limited (JPL). RIL holds 66.43% stake in JPL. RJIL has built an all-IP data network with the latest 4G LTE technology, which supports voice over LTE. The network can be upgraded to support even more data, as technologies advance to 5G and beyond. JPL, including RJIL, is a strategically important part of the RIL group, given the parent's substantial investments in the company and its focus on setting up large digital services business. It has leadership position in terms of subscriber and revenue market share in the Indian telecom industry. As of May 2022, RJIL had wireless broadband customer market share of ~53% and overall wireless subscriber market share of ~36%. For quarter ended March 2022, RJIL had revenue market share of ~44.5% in terms of adjusted gross revenue. RJIL's operating performance remained strong and continues to improve.

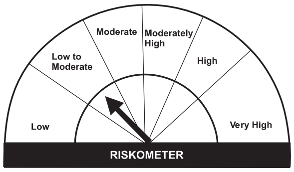
9. ICICI Securities Ltd: I-Sec is subsidiary of ICICI Bank, engaged in capital markets relate businesses like broking, catering to retail and institutional clients, and investment banking. The company also offers wealth management services and distributes financial products. I-Sec is a strong player in the retail equity broking segment with a strong focus on online broking. It also has significant presence in the institutional segment with strong execution capabilities and competence in handling both cash and F&O products. The strong parentage and the shared brand name underscore importance of ICICI Securities to ICICI Bank and ensures the likelihood of receiving any support from the parent in case need arises

10. Reliance Industries Ltd: The company's large size and established presence in the crude oil refining and leadership position in the domestic petrochemical industries, huge cash and liquid investments and being net cash at a consolidated level, lends a strong financial profile to the name. In addition, the entity has industry leading refining margins, comfortable gearing, low working capital intensity are some of the additional factors which give comfort on the name. Further, the company's capex cycle in-non telecom businesses is nearing its end which gives visibility on free cash flows going forward. Entity has cemented a strong Leadership position in the domestic petrochemical industry and integrated operations across E&P, refining, and petrochemical businesses. It is the industry leading margins in the refining business, healthy profitability of the petchem business which is expected to further improve going forward. It has healthy debt metrics which is expected to improve further with generation of free cash flow post completion of capex cycle. Recent stake sales in Jio, trending the company to a net debt free status is another over-riding comfort on the name. Recently announced demerger is unlikely to have a credit impact as it only strengthens the standalone profile and makes it more attractive for strategic investors in future which should enhance the company's financial standing.

*Source: HSBC Asset Management, India, (HSBC AMC), Credit issuer's corporate websites, Data as of 31 October 2022

HSBC Cash Fund Riskometer

HSBC Cash Fund



Investors understand that their principal will be from Low to Moderate risk

Liquid Fund - An Open Ended Liquid Scheme. Relatively low interest rate risk and relatively low credit risk.

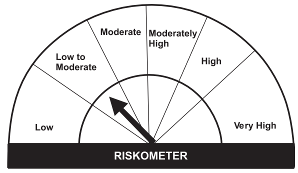
This product is suitable for investors who are seeking##:

- Overnight Liquidity over short term.
- Invests in Money Market Instruments.

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

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.

Benchmark: CRISIL Liquid Fund A-I index



Potential Risk Class (HSBC Cash Fund)

Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)	A-I		
Moderate (Class II)			
Relatively High (Class III)			

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.

*TREPS : Tri-Party Repo

*Source: HSBC Asset Management, India, (HSBC AMC), Credit issuer's corporate websites, Data as of 31 October 2022

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