



Abridged Annual Report 2020 - 2021



HSBC
Asset Management



HSBC Large Cap Equity Fund

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

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Large Cap Equity Fund (HLEF)

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

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

The net assets of HLEF amounted to Rs. 700.54 crores as at March 31, 2021 as against Rs. 504.87 crores as at March 31, 2020. Around 99.17% of the net assets were invested in equities, 0.90% of the net assets were invested in reverse repos/TREPS and (-0.07%) in net current assets as at March 31, 2021.

HLEF is a large cap fund and it remained invested in a diversified portfolio across large capitalization stocks. The scheme has outperformed its benchmark since inception however underperformed over a 1, 3 & 5 year periods. The one-year performance compared to the benchmark was adversely impacted due to both stock selection and sector allocation factors. Stock selection in Materials and Consumer Discretionary dragged the performance. From a sectoral perspective, higher weight in Consumer Staples (vs. benchmark) adversely impacted the performance.

Looking ahead, the AMC believes that the trend of profit pool consolidating with the dominant players in respective sectors/industries, is likely to continue and disruptions such as COVID, could accelerate that shift. The Fund Manager is positive on the theme of profit pool migration and consolidation visible across and within sectors. So as a result, the AMC would be focusing on market leaders or dominant companies within each sectors that are available at reasonable valuations. The AMC's bottom up stock selection also focuses on earnings growth and within that there is an emphasis on stocks that are likely to deliver positive earnings surprises.

The AMC is of the view that the impact of the second wave would be short term in nature followed by a quick rebound. As a result, the Fund Manager is maintaining a pro-cyclical bias in the portfolio. Earnings growth is expected to rebound sharply in FY22 (post the short disruption period in 1Q). Earnings growth momentum is expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). Benign cost of capital and reasonable valuations (in the context of multi-year earnings outlook), should act as additional support to the equity performance, in the medium term. From a sectoral perspective the order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in the pecking order. This preference is dictated by AMC's assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. In line with this thought process, the Fund Manager is running an overweight position in Financials (within that lenders), Healthcare, Industrials and Real Estate sectors. Within sub-sectors, the fund is overweight on Cement, Chemicals & Auto (CVs) sectors. Technology is a neutral weighted sector. Consumer Staples, Energy, Utilities and Communication Services are the underweight sectors.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 10 December 2002	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Large Cap Equity Fund - Growth	64.73	12.03	14.00	19.76
Nifty 50 TRI (Scheme Benchmark)	72.54	14.58	15.12	16.99
S&P BSE Sensex TRI (Standard Benchmark)	69.82	15.81	15.73	17.67
Rs. 10,000, if invested in HLEF, would have become	16,473	14,078	19,261	2,71,957
Rs. 10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	1,77,148
Rs. 10,000, if invested in S&P BSE Sensex TRI, would have become	16,982	15,557	20,768	1,96,989

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. As TRI data is not available Since Inception of the scheme, benchmark performance is calculated using composite CAGR of S&P BSE Sensex TRI values from date 10-Dec- 2002 to date 31-May-2007 and TRI values since date 31-May-2007.

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year^
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22

Trustees' Report

For the year ended March 31, 2021 (Contd...)

on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting

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For the year ended March 31, 2021 (Contd...)

for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a dovetail. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

a. Sponsor

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

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

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, 2021 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Large Cap Equity Fund	13,069,425.93	3401	11,480,468.81	320

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021													
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)									
				Resolved				Non Action-able	Pending				
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0	
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0	
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0	
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0	
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0	
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0	
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0	
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0	
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0	

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
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	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

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

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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 December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Large Cap Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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, 2021 (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, 2021 (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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Large Cap Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Large Cap Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADK5658

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	5,770.44	7,424.46
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(15,085.63)	(13,435.08)
2.2 Unrealised Appreciation Reserve	23,212.24	–
2.3 Other Reserves	56,261.70	56,550.14
3 Loans & Borrowings	–	–
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	–	–
4.2 Other Current Liabilities & Provisions	1,340.18	904.41
TOTAL	71,498.93	51,443.93
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	69,485.29	47,196.48
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	69,485.29	47,196.48
2 Deposits	3.28	2.50
3 Other Current Assets		
3.1 Cash & Bank Balance	7.27	78.80
3.2 TREPS / Reverse Repo Lending	631.78	2,485.05
3.3 Others	1,371.31	1,681.10
4 Deferred Revenue Expenditure (to the extent not written off)	–	–
TOTAL	71,498.93	51,443.93

Notes to Accounts - Annexure I

Abridged Revenue Account for the Year ended March 31, 2021

Rs. in Lakhs

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1 INCOME		
1.1 Dividend	452.99	673.04
1.2 Interest	38.68	103.14
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	6,070.55	4,036.45
1.6 Realised Gains / (Losses) on Derivative Transactions	—	—
1.7 Other Income	23.21	6.97
(A)	6,585.43	4,819.60
2 EXPENSES		
2.1 Investment Management Fees	791.02	830.06
2.2 GST on Investment Management Fees	142.38	149.41
2.3 Transfer Agents Fees and Expenses	69.79	81.16
2.4 Custodian Fees	7.64	7.94
2.5 Trusteeship Fees	1.98	1.91
2.6 Commission to Agents	430.41	381.39
2.7 Marketing & Distribution Expenses	1.17	0.65
2.8 Audit Fees	3.48	3.94
2.9 Investor Education Expenses	12.55	13.19
2.10 Interest on Borrowing	—	—
2.11 Other Operating Expenses	14.77	17.30
(B)	1,475.19	1,486.95
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	5,110.24
4 Change in Unrealised Depreciation in Value of Investments	(D)	2,266.63
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	7,376.87
6 Change in Unrealised Appreciation in Value of Investments	(F)	23,212.24
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	30,589.11
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	—	13,893.60
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	(23,212.24)	—
7.3 Add / (Less) : Equalisation	(7,646.08)	(2,279.41)
7.4 Transfer from Reserve Fund	56,550.14	58,937.07
7.5 Transfer from Unit Premium Reserve	—	—
8 Total	56,280.93	57,723.68
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(19.23)	(1,039.06)
9.2 Tax on Income Distributed during the Year	—	(134.48)
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	56,261.70	56,550.14

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	165.1620	209.7952
Regular Plan IDCW Option	20.9928	28.7446
Direct Plan - Growth Option	174.5429	219.6543
Direct Plan - IDCW Option	22.2974	30.3524
High		
Regular Plan Growth Option	288.6384	230.9875
Regular Plan IDCW Option	36.6871	31.3391
Direct Plan - Growth Option	307.5676	243.6349
Direct Plan - IDCW Option	36.5097	33.3121
Low		
Regular Plan Growth Option	155.9940	147.4700
Regular Plan IDCW Option	19.8275	18.7441
Direct Plan - Growth Option	164.8671	155.8125
Direct Plan - IDCW Option	21.0614	19.9047
End		
Regular Plan Growth Option	272.0638	165.1620
Regular Plan IDCW Option	34.5804	20.9928
Direct Plan - Growth Option	290.2409	174.5429
Direct Plan - IDCW Option	34.4522	22.2974
2. Closing Assets Under Management (Rs. in Lakhs)		
End	70,054	50,487
Average (AAuM) ¹	62,754	65,926
3. Gross income as % of AAuM ²	10.49%	7.31%
4. Expense Ratio:		
a. Total Expense as % of AAuM (Including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.49%	2.47%
Direct Plan	1.55%	1.54%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.28%	1.30%
Direct Plan	1.16%	1.14%
5. Net Income as a percentage of AAuM ³	8.14%	5.06%
6. Portfolio turnover ratio ⁴	0.62	1.03
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan IDCW Option	–	1.99
Direct Plan - IDCW Option	2.50	2.21

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate		
Regular Plan IDCW Option	–	1.99
Direct Plan - IDCW Option	2.50	2.21
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	64.7300	(21.1300)
Direct Plan - Growth Option	66.2900	(20.3900)
Benchmark		
Nifty 50 TRI	72.5400	(24.8500)
b. Since Inception		
Scheme		
Regular Plan Growth Option	19.7600	17.5800
Direct Plan - Growth Option	12.8300	6.9600
Benchmark		
Nifty 50 TRI	16.99⁺	14.4 ⁺

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

1. AAuM=Average daily net assets
2. Gross income = amount against (A) in the Revenue Account i.e. Income
3. Net income = amount against (C) in the Revenue Account i.e. Net Realised Gains / (Losses) for the year
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	63,024,830	470,907,573	250,225,236	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial Years March 31, 2021 and March 31, 2020 and percentage to net assets are as under:

Company Name	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Equity Shares				
– Appreciation	2,356,235,298	33.63	416,065,389	8.24
– Depreciation	35,010,841	0.50	642,728,324	12.73

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-2021 (excluding accretion of discount) is Rs. 3,885,222,277 and Rs. 4,811,317,514 respectively being 61.91% and 76.67% 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 2019-2020 (excluding accretion of discount) is Rs. 6,769,255,995 and Rs. 7,630,611,614 respectively being 102.68% and 115.75% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio of the scheme as of the Years ended March 31, 2021 and March 31, 2020 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 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.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

Name of Sponsor/AMC and its 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	2020-2021	52.05	43.50	14,158,590	39.11

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

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	2020-2021	14.33	0.36	133,051	1.32

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

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

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

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	18,199,577.324	4,626,316.869	4,932,631.024	17,893,263.169	10
Regular Plan IDCW Option	49,636,919.952	858,285.479	14,422,625.919	36,072,579.512	10
Direct Plan - Growth Option	5,669,521.488	409,842.979	3,062,961.413	3,016,403.054	10
Direct Plan - IDCW Option	738,587.222	85,686.499	102,092.919	722,180.802	10

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

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 33,261.112 & as on 31/03/2020 is 33,261.112

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 2,321,455/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: Rs. 697,005/- represents Exit load (net of GST) credited to the scheme).

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

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

- 11 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 as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Large Cap Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Flexi Cap Fund

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

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Flexi Cap Fund*

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

HFCF seeks 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 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 amounted to Rs. 362.33 crores as at March 31, 2021 as compared to Rs 275.84 crores as at March 31, 2020. Around 98.97% of the net assets were invested in equities, 0.43% of the net assets were invested in reverse repos/TREPS and 0.60% in net current assets as at March 31, 2021.

HFCF is a flexi-cap fund (change in category during the year) and we remained invested in a diversified portfolio across all capitalization stocks. HFCF has underperformed over 1 year, 3 year, 5 year periods but it has outperformed its benchmark since inception. Fund's one-year underperformance compared to the benchmark was largely due to adverse sector allocation factor. Being overweight Healthcare and underweight Utilities hurt the performance. Stock selection within Consumer Discretionary & Communication Services also impacted the performance. However, stock selection within Healthcare, Financials and Energy positively contributed to the performance.

Looking ahead, the AMC believes that the trend of profit pool consolidating with the dominant players in respective sectors/industries, is likely to continue and disruptions such as COVID, could accelerate that shift. The Fund Manager is positive on the theme of profit pool migration and consolidation visible across and within sectors as well as market capitalization segments. So as a result, the AMC would be focusing on market leaders or dominant companies within each sectors that are available at reasonable valuations. The AMC's bottom up stock selection also focuses on earnings growth and within that there is an emphasis on stocks that are likely to deliver positive earnings surprises.

The AMC is of the view that the impact of the second wave would be short term in nature followed by a quick rebound. As a result, the Fund Manager is maintaining a pro-cyclical bias in the portfolio. Earnings growth is expected to rebound sharply in FY22 (post the short disruption period in 1Q). Earnings growth momentum is expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). Benign cost of capital and reasonable valuations (in the context of multi-year earnings outlook), should act as additional support to the equity performance, in the medium term. From a sectoral perspective the order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in the pecking order. This preference is dictated by AMC's assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

In line with this thought process, the fund is overweight on Financials, Industrials, Healthcare, Materials and Real Estate sectors. The fund is underweight on Consumer Staples, Energy, Communication Services and Utilities. Technology is a neutral weighted sector.

Date of Inception : 24 February 2004	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Flexi Cap Fund - Growth	70.02	8.02	11.86	14.85
Nifty 500 TRI (Scheme Benchmark)	77.58	12.61	15.15	14.76
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	14.45
Rs. 10,000, if invested in HMEF, would have become	17,002	12,615	17,519	1,06,860
Rs. 10,000, if invested in Nifty 500 TRI, would have become	17,758	14,299	20,253	1,05,437
Rs. 10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	1,00,668

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

*The fundamental attributes of the scheme and name of the scheme has been changed from HSBC Multi Cap Equity Fund to HSBC Flexi Cap Fund w.e.f. January 28, 2021.

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which

Trustees' Report

For the year ended March 31, 2021 (Contd...)

could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution

Trustees' Report

For the year ended March 31, 2021 (Contd...)

remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FII Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FII and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FII flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

a. Sponsor

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

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

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, 2021 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Flexi Cap Fund	7,082,787.59	1590	8,290,586.30	167

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
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	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

Trustees' Report

For the year ended March 31, 2021 (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; 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 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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 December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Flexi Cap Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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	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	N.A.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non - compliance, if any
	responsibilities, publicly disclose it, review and update it periodically.		document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review.	
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, 2021 (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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Flexi Cap Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Flexi Cap Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADL7486

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	5,457.31	7,390.98
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(7,194.97)	(6,718.90)
2.2 Unrealised Appreciation Reserve	11,780.79	–
2.3 Other Reserves	26,179.13	26,836.53
3 Loans & Borrowings	–	–
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	–	–
4.2 Other Current Liabilities & Provisions	833.20	374.01
TOTAL	37,055.46	27,882.62
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	35,858.85	26,762.10
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	–	2.00
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	35,858.85	26,764.10
2 Deposits	1.88	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	3.84	33.18
3.2 TREPS / Reverse Repo Lending	155.21	943.56
3.3 Others	1,035.68	140.28
4 Deferred Revenue Expenditure (to the extent not written off)	–	–
TOTAL	37,055.46	27,882.62

Notes to Accounts - Annexure I

Abridged Revenue Account for the Year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	210.57	464.73
1.2	Interest	15.46	62.95
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	5,683.31	582.75
1.6	Realised Gains / (Losses) on Derivative Transactions	—	—
1.7	Other Income	3.65	4.82
	(A)	5,912.99	1,115.25
2	EXPENSES		
2.1	Investment Management Fees	405.00	533.31
2.2	GST on Investment Management Fees	72.90	96.00
2.3	Transfer Agents Fees and Expenses	37.50	54.43
2.4	Custodian Fees	4.13	5.43
2.5	Trusteeship Fees	1.07	1.29
2.6	Commission to Agents	295.88	396.91
2.7	Marketing & Distribution Expenses	2.85	0.68
2.8	Audit Fees	1.80	2.08
2.9	Investor Education Expenses	6.74	8.94
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	8.32	11.47
	(B)	836.19	1,110.54
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	4.71
4	Change in Unrealised Depreciation in Value of Investments	(D)	(675.86)
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	(671.15)
6	Change in Unrealised Appreciation in Value of Investments	(F)	(12,591.22)
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	(13,262.37)
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—	12,591.22
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(11,780.79)	—
7.3	Add / (Less) : Equalisation	(6,404.81)	(9,473.63)
7.4	Transfer from Reserve Fund	26,836.53	36,985.49
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	26,184.38	26,840.71
9	Dividend Appropriation		
9.1	Income Distributed during the Year	(5.25)	(3.70)
9.2	Tax on Income Distributed during the Year	—	(0.48)
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	26,179.13	26,836.53

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	62.8951	89.2817
Regular Plan IDCW Option	16.9351	24.0395
Direct Plan - Growth Option	66.6134	93.4978
Direct Plan - IDCW Option	17.7475	26.9272
High		
Regular Plan Growth Option	112.1386	91.2630
Regular Plan IDCW Option	30.1944	24.5735
Direct Plan - Growth Option	119.9771	96.5297
Direct Plan - IDCW Option	31.9480	27.7896
Low		
Regular Plan Growth Option	59.6916	56.0978
Regular Plan IDCW Option	16.0726	15.1049
Direct Plan - Growth Option	63.2267	59.3980
Direct Plan - IDCW Option	16.8451	15.8253
End		
Regular Plan Growth Option	106.9316	62.8951
Regular Plan IDCW Option	28.7924	16.9351
Direct Plan - Growth Option	114.5703	66.6134
Direct Plan - IDCW Option	27.9996	17.7475
2. Closing Assets Under Management (Rs. in Lakhs)		
End	36,233	27,584
Average (AAuM) ¹	33,692	44,677
3. Gross income as % of AAuM ²	17.55%	2.50%
4. Expense Ratio:		
a. Total Expense as % of AAuM (Including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.53%	2.52%
Direct Plan	1.38%	1.40%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.21%	1.20%
Direct Plan	1.01%	1.02%
5. Net Income as a percentage of AAuM ³	15.07%	0.01%
6. Portfolio turnover ratio ⁴	0.74	1.02
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan IDCW Option	—	—
Direct Plan - IDCW Option	2.50	1.77

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate		
Regular Plan IDCW Option	—	—
Direct Plan - IDCW Option	2.50	1.77
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	70.0200	(29.3600)
Direct Plan - Growth Option	71.9900	(28.5600)
Benchmark		
Nifty 500 TRI	77.5800	(26.4400)
b. Since Inception		
Scheme		
Regular Plan Growth Option	14.8500	12.0900
Direct Plan - Growth Option	14.2200	7.9500
Benchmark		
Nifty 500 TRI	14.7600	11.6900

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, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	26,785,828	56,482,738	–	–
Bharti Airtel Ltd.	Equities	14,038,890	470,907,573	105,109,392	594,575,759
Max Financial Services Ltd.	Equities	43,457,402	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial Years March 31, 2021 and March 31, 2020 and percentage to net assets are as under:

Company Name	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Equity Shares				
– Appreciation	1,291,178,273	35.63	356,903,477	12.94
– Depreciation	113,098,889	3.12	424,489,001	15.39

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-21 (excluding accretion of discount) is Rs.2,486,138,976 and Rs.3,390,673,491 respectively being 73.79% and 100.64% 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 2019-20 (excluding accretion of discount) is Rs. 4,567,346,225 and Rs. 5,923,517,692 respectively being 102.23% and 132.58% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolio of the scheme as of the Years ended March 31, 2021 and March 31, 2020 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 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.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

Name of Sponsor/AMC and its 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	2020-2021	8.51	29.26	12,695,073	50.92

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

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	2020-2021	3.53	0.19	42,367	0.62

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

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

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

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- (ii) Devolvement - Nil (Previous year also Nil).
- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	30,776,301.465	2,812,798.598	8,710,560.421	24,878,539.642	10
Regular Plan IDCW Option	41,231,153.056	409,597.558	13,411,381.645	28,229,368.969	10
Direct Plan - Growth Option	1,701,936.019	111,554.764	564,424.039	1,249,066.744	10
Direct Plan - IDCW Option	200,381.870	33,666.242	17,874.450	216,173.662	10

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

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 76942.845 & as on 31/03/2020 is 76942.845

- 5 Previous years figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs.364,984/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: Rs. 482,463/- represents Exit load (net of GST) credited to the scheme).
- 9 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2021. 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, 2021

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 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 as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Flexi Cap Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

13 Change in fundamental attribute of HSBC Multi Cap Equity Fund and renaming of the scheme as HSBC Flexi Cap Fund

HSBC Multi Cap Equity Fund (the Scheme) was classified as 'Multi Cap Fund' in terms of the provisions of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 investing minimum 65% in equity and equity related securities across large cap, midcap and small cap stocks.

However, vide its circular no. SEBI/HO/IMD/DF3/CIR/P/2020/172 dated September 11, 2020, SEBI modified the scheme characteristics of "Multi Cap Fund" and prescribed minimum 75% investments in equity and equity related instruments subject to minimum 25% investments each in Large Cap, Mid Cap and Small Cap companies. This modified minimum asset allocation was required to be complied with by January 31, 2021.

Further, vide its circular no. SEBI/HO/IMD/DF3/CIR/P/2020/228 dated November 06, 2020, SEBI has introduced a new category named "Flexi Cap Fund" under Equity Schemes with the characteristics of

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

minimum 65% investment in equity & equity related instruments. The existing scheme characteristics of HSBC Multi Cap Equity Fund were similar to the newly introduced category "Flexi Cap Fund". Accordingly, it was decided to re-categorize the Scheme as Flexi Cap Fund by changing the fundamental attributes of the Scheme in accordance with the provisions of Regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996.

The Board of Directors of HSBC Asset Management (India) Pvt. Ltd. and Board of Trustees of HSBC Mutual Fund, vide their resolutions dated November 24, 2020 and November 26, 2020 respectively, approved the aforesaid proposal. Also, SEBI vide its email dated December 21, 2020 took note of the proposal for change in the fundamental attributes of the Scheme.

Accordingly, a notice was published in the newspapers on December 24, 2020 giving an option to the unit holders to exit from the Scheme during the period from December 29, 2020 to January 27, 2021 (both days inclusive) at the applicable NAV, without payment of exit load. Effective date for the change in the fundamental attributes of the Scheme was January 28, 2021.

- 14 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



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 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

A stylized handwritten signature in blue ink, appearing to read 'Ravi Menon'.

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Tax Saver Equity Fund (HTSF)

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

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

The net assets of HTSF amounted to Rs. 169.44 crores as at March 31, 2021 compared to Rs 111.25 crores as at March 31, 2020. Around 98.96% of the net assets were invested in equities, 1.14% of the net assets were invested in reverse repos/TREPS and (-0.10%) in net current assets as at March 31, 2021.

HTSF is a flexi-cap fund and it remained invested in a diversified portfolio across all capitalization stocks. HTSF has underperformed its benchmark over periods of 1 year and 3 years and 5 year period. The one-year performance compared to the benchmark was adversely impacted due to both stock selection and sector allocation factors. From Sector perspective, underweight in Materials, Utilities and IT dragged the performance. Stock selection in Consumer Discretionary, Consumer Staples and Materials also impacted the performance.

Looking ahead, the AMC believes that the trend of profit pool consolidating with the dominant players in respective sectors/industries, is likely to continue and disruptions such as COVID, could accelerate that shift. The Fund Manager is positive on the theme of profit pool migration and consolidation visible across and within sectors as well as market capitalization segments. So as a result, the AMC would be focusing on market leaders or dominant companies within each sectors that are available at reasonable valuations. The AMC's bottom up stock selection also focuses on earnings growth and within that there is an emphasis on stocks that are likely to deliver positive earnings surprises.

The AMC is of the view that the impact of the second wave would be short term in nature followed by a quick rebound. As a result, the Fund Manager is maintaining a pro-cyclical bias in the portfolio. Earnings growth is expected to rebound sharply in FY22 (post the short disruption period in 1Q). Earnings growth momentum is expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). Benign cost of capital and reasonable valuations (in the context of multi-year earnings outlook), should act as additional support to the equity performance, in the medium term. From a sectoral perspective the order of preference is rate sensitives followed by domestic cyclical, exporters and domestic consumption. Predominantly regulated businesses come last in the pecking order. This preference is dictated by AMC's assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. In line with this thought process, the fund is overweight on Financials, Industrials, Healthcare and Real Estate sectors. The fund is underweight on Consumer Staples, Energy, Communication Services, Materials and Utilities. Technology and Consumer Discretionary are neutral weighted sectors.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 5 January 2007	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Tax Saver Equity Fund - Growth	63.90	7.79	12.35	11.22
S&P BSE 200 TRI (Scheme Benchmark)	76.26	13.74	15.50	11.27
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	10.91
10,000, if invested in HTSF, would have become	16,390	12,534	17,906	45,480
10,000, if invested in S&P BSE 200 TRI, would have become	17,626	14,735	20,563	45,772
10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	43,707

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. As TRI data is not available Since Inception of the scheme, benchmark performance is calculated using composite CAGR of S&P BSE 200 TRI values from date 05-Jan-2007 to date 29-Jun-2007 and TRI values since date 29-Jun-2007.

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is

Trustees' Report

For the year ended March 31, 2021 (Contd...)

rate sensitives followed by domestic cyclical, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex

Trustees' Report

For the year ended March 31, 2021 (Contd...)

investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

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, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Tax saver Equity Fund	9,391,452.33	4295	4,251,135.67	185

Trustees' Report

For the year ended March 31, 2021 (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 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434 /1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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 Adviseorkhoj 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

- c) 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 2021

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 2021 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 December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Tax Saver Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
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.

13. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Tax Saver Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Tax Saver Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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;

Independent Auditors' Report (Contd...)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADM6597

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	4,542.69	4,875.22
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(3,326.36)	(3,269.53)
2.2 Unrealised Appreciation Reserve	5,499.62	—
2.3 Other Reserves	10,234.04	9,521.73
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	229.52	157.20
TOTAL	17,179.51	11,284.62
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	16,769.53	10,775.66
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	16,769.53	10,775.66
2 Deposits	1.65	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	16.90	4.30
3.2 TREPS / Reverse Repo Lending	193.84	343.66
3.3 Others	197.59	159.50
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	17,179.51	11,284.62

Notes to Accounts - Annexure I

Abridged Revenue Account for the Year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Current Year ended March 31, 2020
1	INCOME		
1.1	Dividend	96.65	136.78
1.2	Interest	7.62	15.26
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	832.23	9.31
1.6	Realised Gains / (Losses) on Derivative Transactions	—	—
1.7	Other Income	0.03	0~
	(A)	936.53	161.35
2	EXPENSES		
2.1	Investment Management Fees	195.27	204.36
2.2	GST on investment Management Fees	35.15	36.79
2.3	Transfer Agents Fees and Expenses	16.16	18.67
2.4	Custodian Fees	1.77	1.86
2.5	Trusteeship Fees	0.45	0.44
2.6	Commission to Agents	98.38	101.67
2.7	Marketing & Distribution Expenses	0.46	0.28
2.8	Audit Fees	0.84	0.84
2.9	Investor Education Expenses	2.90	3.03
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	4.36	5.14
	(B)	355.74	373.08
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	580.79
4	Change in Unrealised Depreciation in Value of Investments	(D)	899.71
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	1,480.50
6	Change in Unrealised Appreciation in Value of Investments	(F)	5,499.62
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	6,980.12
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—	2,759.79
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(5,499.62)	—
7.3	Add / (Less) : Equalisation	(684.38)	(587.49)
7.4	Transfer from Reserve Fund	9,521.73	11,533.89
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	10,317.85	9,834.96
9	Dividend Appropriation		
9.1	Income Distributed during the Year	(83.81)	(277.34)
9.2	Tax on Income Distributed during the Year	—	(35.89)
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	10,234.04	9,521.73

~ Indicates less than Rupees in lakhs

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	27.7477	37.4550
Regular Plan IDCW Option	14.0179	20.5998
Direct Plan - Growth Option	29.3882	39.1861
Direct Plan - IDCW Option	14.7860	21.6513
High		
Regular Plan Growth Option	47.8186	39.9034
Regular Plan IDCW Option	23.6016	21.7650
Direct Plan - Growth Option	51.2085	42.2012
Direct Plan - IDCW Option	24.8850	23.0706
Low		
Regular Plan Growth Option	26.3452	24.8944
Regular Plan IDCW Option	13.3094	12.5764
Direct Plan - Growth Option	27.9058	26.3599
Direct Plan - IDCW Option	14.0399	13.2623
End		
Regular Plan Growth Option	45.4780	27.7477
Regular Plan IDCW Option	22.4464	14.0179
Direct Plan - Growth Option	48.7781	29.3882
Direct Plan - IDCW Option	23.6978	14.7860
2. Closing Assets Under Management (Rs. in Lakhs)		
End	16,944	11,125
Average (AAuM) ¹	14,485	15,173
3. Gross income as % of AAuM ²	6.47%	1.06%
4. Expense Ratio:		
a. Total Expense as % of AAuM (Including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.50%	2.49%
Direct Plan	1.26%	1.29%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.36%	1.36%
Direct Plan	0.91%	0.91%
5. Net Income as a percentage of AAuM ³	4.01%	-1.40%
6. Portfolio turnover ratio ⁴	0.50	0.65

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan IDCW Option	0.50	1.55
Direct Plan - IDCW Option	0.75	1.77
Corporate		
Regular Plan IDCW Option	0.50	1.55
Direct Plan - IDCW Option	0.75	1.77
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	63.9000	(25.7500)
Direct Plan - Growth Option	65.9800	(24.8300)
Benchmark		
S&P BSE 200 TRI	76.2600	(25.2400)
b. Since Inception		
Scheme		
Regular Plan Growth Option	11.2200	8.0100
Direct Plan - Growth Option	13.6600	7.8800
Benchmark		
S&P BSE 200 TRI	11.27 ⁺	7.47 ⁺

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

1. AAuM=Average daily net assets.
2. Gross income = amount against (A) in the Revenue Account i.e. Income.
3. Net income = amount against (C) in the Revenue Account i.e. Net Realised Gains / (Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	25,235,716	470,907,573	4,055,040	594,575,759
Max Financial Services Ltd.	Equities	12,143,587	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial year and their percentages to net assets are as under:

Company Name	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Equity Shares				
– Appreciation	557,210,037	32.89	135,242,855	12.16
– Depreciation	7,248,527	0.43	225,213,582	20.24

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-21 (excluding accretion of discount) is Rs. 721,366,775 and Rs. 845,141,170 respectively being 49.80% and 58.35% of the average daily net assets.

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

- 1.8. Non-Traded securities in the portfolio of the scheme as of the Years ended March 31, 2021 and March 31, 2020 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 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.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

Name of Sponsor/ AMC and its 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	2020-2021	0.99	21.35	716,565	10.20

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

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	2020-2021	1.23	0.16	6,126.45	0.33

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

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

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

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- (ii) Devolvement - Nil (Previous year also Nil).
- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	30,014,830.283	769,595.147	2,825,813.147	27,958,612.283	10
IDCW Option	17,362,337.286	178,436.282	1,531,378.863	16,009,394.705	10
Direct Plan - Growth Option	1,107,747.095	168,255.382	96,428.575	1,179,573.902	10
Direct Plan - IDCW Option	267,331.023	45,433.140	33,468.090	279,296.073	10

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

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 187,801.892 and as on 31/03/2020 is 187,801.892

- 5 Previous year's figures have been re-grouped / re-arranged where appropriate.
- 6 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other Income of Rs. 2,548/- represents Penal Interest received from Bank towards delay of RTGS / NEFT (2020: Rs. 22/- (Interest recd on printing & stationery bill paid by scheme instead off AMC -EXP).
- 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 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 as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Tax Saver Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Equity Hybrid Fund

Aggressive Hybrid fund – An open ended hybrid scheme investing predominantly in equity and equity related instruments

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not need step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Equity Hybrid Fund (HEHF)

(An open ended hybrid scheme investing predominantly in equity and equity related instruments)

HEHF seeks to provide long term capital growth and income through investments in equity and equity related securities and fixed income instruments. However, there is no assurance that the investment objective of the Scheme will be achieved.

The net assets of HEHF amounted to Rs. 487.46 crores as at March 31, 2021 as compared to Rs 483.22 crore as on March, 31 2020. Around 73.79% of the net assets were invested in equities, 22.75% were invested in Debt and money market securities, 3.29% of the net assets were invested in reverse repos/TREPS and 0.17% in net current assets as at March 31, 2021. The inception date of the scheme is October 22, 2018.

HEHF was launched in October 2018. HEHF is an asset allocation product with a mix of equity and debt, falling in the aggressive category of equity hybrid schemes. The fund's mandate provides flexibility to have an equity allocation between 65 – 80% of the portfolio while debt exposure will range between 20 – 35%. The fund has underperformed its benchmark over 1 year and since inception periods. The equity allocation in the fund stood at 73.8% as of 31 March 2021. The underperformance of the equity portion of the fund compared to the equity benchmark during the past year was largely on account of sector allocation to Utilities (underweight) and Healthcare (overweight). Stock selection within Communication Services, Industrials and Financials also adversely impacted the performance relative to the benchmark. The equity portion follows a flexi-cap strategy.

Looking ahead, the AMC believes that the trend of profit pool consolidating with the dominant players in respective sectors/industries, is likely to continue and disruptions such as COVID, could accelerate that shift. The Fund Manager is positive on the theme of profit pool migration and consolidation visible across and within sectors as well as market capitalization segments. So as a result, the AMC would be focusing on market leaders or dominant companies within each sectors that are available at reasonable valuations. The AMC's bottom up stock selection also focuses on earnings growth and within that there is an emphasis on stocks that are likely to deliver positive earnings surprises.

The AMC is of the view that the impact of the second wave would be short term in nature followed by a quick rebound. As a result, the Fund Manager is maintaining a pro-cyclical bias in the portfolio. Earnings growth is expected to rebound sharply in FY22 (post the short disruption period in 1Q). Earnings growth momentum is expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). Benign cost of capital and reasonable valuations (in the context of multi-year earnings outlook), should act as additional support to the equity performance, in the medium term. From a sectoral perspective the order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in the pecking order. This preference is dictated by AMC's assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

In line with this thought process, the fund is overweight on Financials, Industrials, Healthcare, Materials, Consumer Discretionary and Real Estate sectors. Technology is a neutral sector in the fund while underweight sectors are Energy, Utilities, Consumer Staples and Communication Services (equity portion).

Bond markets were volatile over the financial year. In the first quarter of the financial year, Economic slowdown due to Pandemic along with stable crude prices and very low inflation, including core inflation, led to RBI flushing markets with Liquidity. This resulted in GOI 10-year benchmark security moving to a peak of 6.50 at the beginning of the year hit a low of 7.75 in May-August 2020. In August 2020, Government announced extra market borrowings to support growth which led to sharp spike in yields when RBI jumped in with Open Market Operations (OMOs) to support market leading to recovery. In last quarter, Government announced higher than expected market borrowing in Budget leading to rates hardening once again. 10 year closed at 6.17 levels in March 2021 vs 6.14 levels in March 2020. HEHF Underperformed its scheme's benchmark for 1 year as fund was underweight index and also focused on quality AAA credits.

Date of Inception : 22 October 2018	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Equity Hybrid Fund - Growth	48.83	NA	NA	13.77
CRISIL Composite Bond Fund Index (30%) and S&P BSE 200 TRI (70% (Scheme Benchmark)	58.42	NA	NA	16.38
Nifty 50 TRI (Standard Benchmark)	72.54	NA	NA	17.24
10,000, if invested in HEHF, would have become	14,883	NA	NA	13,702
10,000, if invested in CRISIL Composite Bond Fund Index (30%) and S&P BSE 200 TRI (70%), would have become	15,842	NA	NA	14,482
10,000, if invested in Nifty 50 TRI, would have become	17,254	NA	NA	14,744

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained

Trustees' Report

For the year ended March 31, 2021 (Contd...)

74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could

Trustees' Report

For the year ended March 31, 2021 (Contd...)

take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

► DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

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For the year ended March 31, 2021 (Contd...)

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced

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For the year ended March 31, 2021 (Contd...)

to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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

a. Sponsor

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

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

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For the year ended March 31, 2021 (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 as on March 31, 2021:

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	

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For the year ended March 31, 2021 (Contd...)

2020-2021												
Com- plaint Code	Type of complaint#	(a) No. of complaints pending at the begin- ning of the year	(b) No. of Com- plaints received during the year	Action on (a) and (b)								
				Resolved				Non Action- able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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 December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Equity Hybrid Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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, 2021 (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, 2021 (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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Equity Hybrid Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Equity Hybrid Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADN2384

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	35,548.58	52,474.88
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(2,506.79)	(760.67)
2.2 Unrealised Appreciation Reserve	10,458.37	132.24
2.3 Other Reserves	5,237.81	(3,523.75)
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	256.20	344.33
TOTAL	48,994.17	48,667.03
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	35,960.44	34,236.64
1.1.2 Preference Shares	—	—
1.1.3 Equity Linked Debentures	—	—
1.1.4 Other Debentures & Bonds	4,645.52	8,379.74
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	6,441.76	1,472.92
1.5 Treasury Bills	—	—
1.6 Commercial Paper	—	—
1.7 Certificate of Deposits	—	984.57
1.8 Bill Rediscounting	—	—
1.9 Units of Domestic Mutual Fund	—	—
1.10 Foreign Securities	—	—
Total Investments	47,047.72	45,073.87
2 Deposits	3.11	6.74
3 Other Current Assets		
3.1 Cash & Bank Balance	1.10	3.49
3.2 TREPS / Reverse Repo Lending	1,602.79	3,165.98
3.3 Others	339.45	416.95
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	48,994.17	48,667.03

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	275.64	550.71
1.2	Interest	865.02	1,253.72
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	4,186.45	1,257.62
1.6	Realised Gains / (Losses) on Derivative Transactions	—	—
1.7	Other Income	12.16	32.28
	(A)	5,339.27	3,094.33
2	EXPENSES		
2.1	Investment Management Fees	494.97	608.18
2.2	GST on Investment Management Fees	89.09	109.47
2.3	Transfer Agents Fees and Expenses	55.11	77.76
2.4	Custodian Fees	5.44	7.35
2.5	Trusteeship Fees	1.61	1.82
2.6	Commission to Agents	561.34	689.80
2.7	Marketing & Distribution Expenses	0.90	0.73
2.8	Audit Fees	2.42	3.64
2.9	Investor Education Expenses	9.97	12.63
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	9.65	14.55
	(B)	1,230.50	1,525.93
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	4,108.77	1,568.40
4	Change in Unrealised Depreciation in Value of Investments	(D) 5,426.67	(5,514.02)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	9,535.44	(3,945.62)
6	Change in Unrealised Appreciation in Value of Investments	(F) 10,326.13	(4,760.57)
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	19,861.57	(8,706.19)
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—	4,760.57
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(10,326.13)	—
7.3	Add / (Less) : Equalisation	(773.88)	(125.78)
7.4	Transfer from Reserve Fund	(3,523.75)	547.65
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	5,237.81	(3,523.75)
9	Dividend Appropriation		
9.1	Income Distributed during the Year	—	—
9.2	Tax on Income Distributed during the Year	—	—
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	5,237.81	(3,523.75)

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	9.2063	10.9059
Regular Plan IDCW Option	9.2063	10.9059
Direct Plan - Growth Option	9.3902	10.9671
Direct Plan - IDCW Option	9.3831	10.9671
High		
Regular Plan Growth Option	14.2439	11.7763
Regular Plan IDCW Option	14.2439	11.7763
Direct Plan - Growth Option	14.7173	11.9912
Direct Plan - IDCW Option	14.6975	11.9831
Low		
Regular Plan Growth Option	8.8586	8.4791
Regular Plan IDCW Option	8.8586	8.4791
Direct Plan - Growth Option	9.0366	8.6455
Direct Plan - IDCW Option	9.0298	8.6392
End		
Regular Plan Growth Option	13.7021	9.2063
Regular Plan IDCW Option	13.7021	9.2063
Direct Plan - Growth Option	14.1832	9.3902
Direct Plan - IDCW Option	14.1627	9.3831
2. Closing Assets Under Management (Rs. in Lakhs)		
End	48,746	48,322
Average (AAuM) ¹	49,851	63,173
3. Gross income as % of AAuM ²	10.71%	4.90%
4. Expense Ratio:		
a. Total Expense as % of AAuM (Including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.49%	2.43%
Direct Plan	1.02%	1.01%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.00%	0.96%
Direct Plan	0.72%	0.70%
5. Net Income as a percentage of AAuM ³	8.24%	2.48%
6. Portfolio turnover ratio ⁴	0.80	1.33

Key Statistics for the period ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
7. Total Dividend per unit distributed during the year (planwise)		
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	48.8300	(15.4700)
Direct Plan - Growth Option	51.0400	(14.2700)
Benchmark		
A customized index with 70% weight to S&P BSE 200 and 30% weight to CRISIL Composite Bond Fund Index.	58.4200	(18.0900)
b. Since Inception		
Scheme		
Regular Plan Growth Option	13.7700	(5.5800)
Direct Plan - Growth Option	15.3900	(4.2700)
Benchmark		
A customized index with 70% weight to S&P BSE 200 and 30% weight to CRISIL Composite Bond Fund Index.	16.3800	(6.0500)

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, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	14,449,786	470,907,573	116,727,301	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 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
	2021		2020	
Equity Shares				
– Appreciation	1,062,249,501	21.79	95,559,134	1.98
– Depreciation	25,856,605	0.53	646,961,621	13.39
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	10,243,000	0.21	13,353,050	0.28
– Depreciation	798,605	0.02	1,470,450	0.03
Government Securities				
– Appreciation	396,739	0.01	999,095	0.02
– Depreciation	9,132,240	0.19	59,064	~0.00
Certificate of Deposit / Commercial Papers				
– Appreciation	–	–	401,200	0.01
– Depreciation	–	–	–	–

~ Indicates less than 0.01

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-21 (excluding accretion of discount) is Rs. 3,974,797,612 and Rs. 5,771,886,915 respectively being 79.73% and 115.78% of the average daily net assets.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) is Rs. 8,400,639,592 and Rs. 9,365,016,281 respectively being 132.98% and 148.24% of the average daily net assets.

- 1.8. **Non-Traded securities in the portfolio:** Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is as under :

Security Category	Fair Value (Rupees)	Percentage to Net Assets	Fair Value (Rupees)	Percentage to Net Assets
	2021		2020	
Debt Instruments	360,603,350	7.40	529,357,330	10.95
Total	360,603,350	7.40	529,357,330	10.95

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

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.

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

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

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	30.79	52.32	30,513,813	59.65

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	58.32	47.62	43,508,910	71.82

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	2020-2021	3.72	0.05	18,566.25	0.29

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. In Crores]	% of total value of transactions of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020	5.85	0.35	70,235.98	2.88

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

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

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 and March 31, 2020.
 - 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	482,888,384.264	42,548,097.495	197,859,498.728	327,576,983.031	10
IDCW Option	34,994,065.053	1,590,135.126	14,701,894.360	21,882,305.819	10
Direct Plan - Growth Option	6,712,214.205	957,131.961	1,751,660.206	5,917,685.960	10
Direct Plan - IDCW Option	154,098.898	10,122.813	55,363.745	108,857.966	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	547,269,947.708	88,441,075.256	152,822,638.700	482,888,384.264	10
IDCW Option	42,814,335.129	8,244,924.036	16,065,194.112	34,994,065.053	10
Direct Plan - Growth Option	3,601,794.921	3,296,189.375	185,770.091	6,712,214.205	10
Direct Plan - IDCW Option	41,649.850	121,567.849	9,118.801	154,098.898	10

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 500,000 & as on 31/03/2020 is 500,000

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income of Rs. 1,215,841/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: Rs. 3,228,554/- represents Exit load (net of GST) credited to the scheme).
- 8 Previous year figures have been re-grouped/re-arranged where necessary.
- 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

10. Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 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 as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
HSBC Equity Hybrid 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, 2021

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Infrastructure Equity Fund

An open ended Equity Scheme following Infrastructure theme

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

A stylized handwritten signature in blue ink, appearing to read 'Ravi Menon'.

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Infrastructure Equity Fund (HIEF)

(An open ended equity scheme following Infrastructure theme.)

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

The net assets of HIEF amounted to Rs. 97.61 crores as at March 31, 2021 as compared to Rs. 55.58 crores as at March 31, 2020. Around 98.25% of the net assets were invested in equities, 1.59% of the net assets were invested in reverse repos/TREPS and 0.16% in net current assets as at March 31, 2021.

HIEF is a theme based fund with focus on infrastructure segment. The outlook for infrastructure sector has meaningfully improved after the recent budget, on back of government push towards India's infrastructure, despite the COVID and Fiscal challenges. This is reflected in BSE Infrastructure Index outperforming in last one year, also leading to scheme outperformance.

During 3 years and 5 years, the scheme underperformed the benchmark. The primary reason of underperformance is high exposure to lower end of market cap curve. During this period, small caps have underperformed significantly relative to large caps (evidenced by the fact that Nifty has outperformed Small cap index). However, in last one year the trend has reversed with small caps outperforming large caps. This along with improved outlook for the infrastructure sector, the scheme has outperformed.

The AMC is of the view that government's renewed focus would continue for the next few years. The AMC expect the government capex to be followed by private capex. Hence, the AMC is positive on the overall infrastructure theme capex cycle to next 2-3 years. The AMC is monitoring the evolving situation related to the COVID-19 second wave. Our baseline assumption is that the impact would be short-lived followed by a quick rebound afterwards. Hence, the AMC believes that this theme to do well in medium term to long term. Therefore, the AMC expects the fund to do well in medium to long term.

Date of Inception : 23 February 2006	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Infrastructure Equity Fund - Growth	104.02	-3.85	5.54	4.83
S&P BSE India Infrastructure TRI (Scheme Benchmark)	94.11	1.77	10.27	NA
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	12.29

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 23 February 2006	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
Rs. 10,000, if invested in HIEF, would have become	20,402	8,885	13,096	20,395
Rs. 10,000, if invested in S&P BSE India Infrastructure TRI, would have become	19,411	10,542	16,308	NA
Rs. 10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	57,628

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Please Note: NA means not available.

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

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22

Trustees' Report

For the year ended March 31, 2021 (Contd...)

on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency

Trustees' Report

For the year ended March 31, 2021 (Contd...)

and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a dovolution. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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/-

Trustees' Report

For the year ended March 31, 2021 (Contd...)

(Rupees One Lakh only) to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

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, 2021

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Infrastructure Equity Fund	548,900.64	289	5,871,283.89	394

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
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	6	6	0	0	0	0	0	0	0	
IV	Others	0	15	15	0	0	0	0	0	0	0	
	Total	0	42	41	0	0	0	0	1	0	0	

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

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

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

Trustees' Report

For the year ended March 31, 2021 (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; 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 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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 December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Infrastructure Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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	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	N.A.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
	their stewardship responsibilities, publicly disclose it, review and update it periodically.		document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review.	
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, 2021 (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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Infrastructure Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Infrastructure Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAADO7081

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	5,060.95	5,852.95
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(7,684.58)	(8,432.19)
2.2 Unrealised Appreciation Reserve	3,458.78	–
2.3 Other Reserves	8,936.88	8,137.69
3 Loans & Borrowings	–	–
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	–	–
4.2 Other Current Liabilities & Provisions	122.44	91.15
TOTAL	9,894.47	5,649.60
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	9,588.24	5,335.30
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	9,588.24	5,335.30
2 Deposits	1.58	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	11.06	3.75
3.2 TREPS/Reverse Repo Lending	154.80	175.25
3.3 Others	138.79	133.80
4 Deferred Revenue Expenditure (to the extent not written off)	–	–
TOTAL	9,894.47	5,649.60

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	108.36	127.48
1.2	Interest	4.33	11.58
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	—	—
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	—	—
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	(77.96)	(3,330.79)
1.6	Realised Gains/(Losses) on Derivative Transactions	—	—
1.7	Other Income	1.12	1.79
	(A)	35.85	(3,189.94)
2	EXPENSES		
2.1	Investment Management Fees	110.82	129.57
2.2	GST on Investment Management Fees	19.95	23.32
2.3	Transfer Agents Fees and Expenses	8.38	11.01
2.4	Custodian Fees	0.92	1.11
2.5	Trusteeship Fees	0.23	0.26
2.6	Commission to Agents	43.54	56.66
2.7	Marketing & Distribution Expenses	0.13	0.06
2.8	Audit Fees	0.49	0.42
2.9	Investor Education Expenses	1.49	1.81
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	2.56	2.97
	(B)	188.51	227.19
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR	(C = A - B)	(152.66)
4	Change in Unrealised Depreciation in Value of Investments	(D)	2,064.42
5	NET GAINS/(LOSSES) FOR THE YEAR	(E = C + D)	1,911.76
6	Change in Unrealised Appreciation in Value of Investments	(F)	3,458.78
7	NET SURPLUS/(DEFICIT) FOR THE YEAR	(G = E + F)	5,370.54
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—	—
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(3,458.78)	—
7.3	Add/(Less) : Equalisation	(1,112.57)	(1,031.42)
7.4	Transfer from Reserve Fund	8,137.69	13,731.07
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	8,936.88	8,137.69
9	Dividend Appropriation		
9.1	Income Distributed during the Year	—	—
9.2	Tax on Income Distributed during the Year	—	—
10	Retained Surplus/(Deficit) Carried Forward to Balance Sheet	8,936.88	8,137.69

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	10.0015	17.9713
IDCW Option	8.5072	15.2863
Direct Plan - Growth Option	10.5951	18.7961
Direct Plan - IDCW Option	8.9930	15.9803
High		
Growth Option	20.8434	18.5267
IDCW Option	17.7293	15.7587
Direct Plan - Growth Option	22.3581	19.4065
Direct Plan - IDCW Option	18.9385	16.4992
Low		
Growth Option	9.7223	9.1097
IDCW Option	8.2698	7.7487
Direct Plan - Growth Option	10.3005	9.6474
Direct Plan - IDCW Option	8.7428	8.1890
End		
Growth Option	20.4049	10.0015
IDCW Option	17.3564	8.5072
Direct Plan - Growth Option	21.9102	10.5951
Direct Plan - IDCW Option	18.5562	8.9930
2. Closing Assets Under Management (Rs. in Lakhs)		
End	9,761	5,558
Average (AAuM) ¹	7,467	9,033
3. Gross income as % of AAuM ²	0.48%	-35.31%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.57%	2.55%
Direct Plan	1.22%	1.30%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.50%	1.45%
Direct Plan	0.88%	0.92%
5. Net Income as a percentage of AAuM ³	-2.04%	-37.83%
6. Portfolio turnover ratio ⁴	0.26	0.41

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
IDCW Option	—	—
Direct Plan - Growth Option	—	—
Corporate		
IDCW Option	—	—
Direct Plan - Growth Option	—	—
8. Returns (%):		
a. Last One Year		
Scheme		
Growth Option	104.0200	-44.0900
Direct Plan - Growth Option	106.8000	-43.3700
Benchmark		
S&P BSE India Infrastructure Index	94.1100	-42.2100
b. Since Inception		
Scheme		
Growth Option	4.8300	0.0000
Direct Plan - Growth Option	7.0800	-2.2100
Benchmark		
S&P BSE India Infrastructure Index TRI	NA⁺	NA ⁺

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

1. AAUM = Average daily net assets.

2. Gross income = amount against (A) in the Revenue account i.e. Income.

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the year.

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2021		2020	
Bharti Airtel Ltd.	Equities	36,563,367	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the Year ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below Investment grade and default/securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial years March 31, 2021 and March 31, 2020 are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Equity Shares				
– Appreciation	372,340,950	38.15	64,599,152	11.62
– Depreciation	26,463,075	2.71	271,041,603	48.77

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-2021 (excluding accretion of discount) is Rs. 191,908,969 and Rs. 311,142,948 respectively being 25.70% and 41.67% of the average daily net assets.

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

- 1.8. Non-Traded securities in the portfolio of the scheme as of the Years ended March 31, 2021 and March 31, 2020 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 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.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

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

Name of Sponsor/AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2020-2021	0.64	16.04	938,378	33.92

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

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL)

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

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

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2021 and March 31, 2020.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020** :

Description	2020 - 2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	36,417,228.121	948,501.416	7,285,550.353	30,080,179.184	10
IDCW Option	20,376,827.645	350,386.856	1,820,090.926	18,907,123.575	10
Direct Plan - Growth Option	1,661,263.592	660,371.971	788,342.689	1,533,292.874	10
Direct Plan - IDCW Option	74,203.707	59,842.774	45,102.145	88,944.336	10

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

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 274,726.784 and as on 31/03/2020 is 274,726.784

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are inclusive of GST where applicable.
- 8 Other Income of Rs. 111,946/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: Rs. 179,301/- 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

11 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Infrastructure Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Small Cap Equity Fund

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

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not need step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Small Cap Equity Fund (HSEF)

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

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

The net assets of HSEF amounted to Rs. 325.43 crores as at March 31, 2021 as compared to Rs. 246.50 crores as at March 31, 2020. Around 99.37 % of the net assets were invested in equities, 0.89% of the net assets were invested in reverse repos/TREPS and (-0.26%) in net current assets as at March 31, 2021.

HSEF is a small cap fund and we remained invested in a diversified portfolio across small capitalization stocks. HSEF has underperformed its benchmark over 1 year and 3 years and 5 year period. HSEF has underperformed its benchmark primarily due to good performance of a few large benchmark stocks that we did not have in our portfolio especially in Information Technology space. While many of our stock positions such as Dixon, Amber, Escorts, JB Chemicals, APL Apollo, etc also did very well, not owning many IT stocks hurt the performance leading to underperformance. After two consecutive years of underperformance, small caps indices outperformed almost all major indices significantly. Some bit of that can be attributed to sharp fall in the small caps in previous two years and to that extent mean reversion was playing out. However, the rally was also supported by the strong growth many of the small cap companies are witnessing despite the COVID disruption. While the valuation discount argument in favor of small caps is no longer true, we continue to remain constructive on many of the small cap businesses due to their strong growth trajectory. AMC will continue to focus on these strong growth oriented companies available at fair valuations. HSEF is currently overweight in Consumer Discretionary, Specialty Chemicals and building material space while being underweight in FMCG, Financials and Technology.

Date of Inception : 19 May 2005	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Small Cap Equity Fund - Growth	105.10	3.51	11.99	12.43
S&P BSE 250 Small Cap Index TRI (Scheme Benchmark)	117.51	4.74	13.52	NA
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	NA
Rs. 10,000, if invested in HSEF, would have become	20,510	11,095	17,621	64,245

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 19 May 2005	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
Rs. 10,000, if invested in S&P BSE 250 Small Cap Index TRI, would have become	21,751	11,496	18,859	NA
Rs. 10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	89,967

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Please Note: NA means not available.

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

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year^
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years

Trustees' Report

For the year ended March 31, 2021 (Contd...)

(first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their

Trustees' Report

For the year ended March 31, 2021 (Contd...)

GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

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, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Small cap Equity Fund	3,373,095.90	1307	1,546,774.30	90

Trustees' Report

For the year ended March 31, 2021 (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 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434 /1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

- b) The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- c) Full Annual Report 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 2021

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 2021 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 December 31, 2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Small Cap Equity Fund	Very High	Very High	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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.

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non - compliance, if any
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.

13. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Small Cap Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Small Cap Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

Firm's Registration No: 101248WW-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADP8051

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	6,236.58	9,442.74
2 Reserves & Surplus		
2.1 Unit Premium Reserves	475.34	4,837.99
2.2 Unrealised Appreciation Reserve	11,038.63	–
2.3 Other Reserves	14,774.16	10,407.62
3 Loans & Borrowings		
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	–	–
4.2 Other Current Liabilities & Provisions	387.28	268.61
TOTAL	32,911.99	24,956.96
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	32,336.30	23,252.61
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	–	6.66
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	32,336.30	23,259.27
2 Deposits	1.75	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	10.78	6.05
3.2 TREPS/Reverse Repo Lending	290.06	1,593.17
3.3 Others	273.10	96.97
4 Deferred Revenue Expenditure (to the extent not written off)	–	–
TOTAL	32,911.99	24,956.96

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1 INCOME			
1.1 Dividend		111.82	833.19
1.2 Interest		20.95	146.76
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		2,373.32	(9,658.14)
1.6 Realised Gains / (Losses) on Derivative Transactions		–	–
1.7 Other Income		3.59	54.74
	(A)	2,509.68	(8,623.45)
2 EXPENSES			
2.1 Investment Management Fees		333.73	472.19
2.2 GST on Investment Management Fees		60.07	84.99
2.3 Transfer Agents Fees and Expenses		33.82	69.13
2.4 Custodian Fees		3.71	6.86
2.5 Trusteeship Fees		0.97	1.91
2.6 Commission to Agents		257.66	597.62
2.7 Marketing & Distribution Expenses		0.54	0.65
2.8 Audit Fees		1.62	1.86
2.9 Investor Education Expenses		6.07	11.50
2.10 Interest on Borrowing		–	–
2.11 Other Operating Expenses		7.79	13.63
	(B)	705.98	1,260.34
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	1,803.70	(9,883.79)
4 Change in Unrealised Depreciation in Value of Investments	(D)	8,812.04	(8,812.04)
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	10,615.74	(18,695.83)
6 Change in Unrealised Appreciation in Value of Investments	(F)	11,038.63	(1,038.99)
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	21,654.37	(19,734.82)
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve		–	1,038.99
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve		(11,038.63)	–
7.3 Add / (Less) : Equalisation		(6,249.20)	(19,464.08)
7.4 Transfer from Reserve Fund		10,407.62	49,136.10
7.5 Transfer from Unit Premium Reserve		–	–
8 Total		14,774.16	10,976.19
9 Dividend Appropriation			
9.1 Income Distributed during the Year		–	(503.42)
9.2 Tax on Income Distributed during the Year		–	(65.15)
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet		14,774.16	10,407.62

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	31.3039	50.3996
IDCW Option	11.4695	19.9669
Direct Plan - Growth Option	33.2412	52.8019
Direct Plan - IDCW Option	14.5087	24.5461
High		
Growth Option	65.5179	50.9137
IDCW Option	24.0053	20.1705
Direct Plan - Growth Option	70.4908	53.3423
Direct Plan - IDCW Option	30.7630	24.7973
Low		
Growth Option	30.4236	29.1528
IDCW Option	11.1470	10.6814
Direct Plan - Growth Option	32.3104	30.9480
Direct Plan - IDCW Option	14.1025	13.5078
End		
Growth Option	64.2047	31.3039
IDCW Option	23.5242	11.4695
Direct Plan - Growth Option	69.1529	33.2412
Direct Plan - IDCW Option	30.1786	14.5087
2. Closing Assets Under Management (Rs. in Lakhs)		
End	32,543	24,650
Average (AAuM) ¹	30,364	57,496
3. Gross income as % of AAuM ²	8.27%	-15.00%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	2.51%	2.39%
Direct Plan	1.10%	1.07%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	1.15%	0.84%
Direct Plan	0.77%	0.74%
5. Net Income as a percentage of AAuM ³	5.94%	-17.19%
6. Portfolio turnover ratio ⁴	0.46	0.56

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
IDCW Option	–	1.33
Direct Plan - IDCW Option	–	1.33
Corporate		
IDCW Option	–	1.33
Direct Plan - IDCW Option	–	1.33
8. Returns (%):		
a. Last One Year		
Scheme		
Growth Option	105.1000	(37.6500)
Direct Plan - Growth Option	108.0300	(36.8100)
Benchmark		
S&P BSE 250 Small Cap Index	117.5100	(40.5000)
b. Since Inception		
Scheme		
Growth Option	12.4300	7.9700
Direct Plan - Growth Option	15.7500	6.7600
Benchmark		
S&P BSE 250 Small Cap Index +	N.A +	N.A +

+ For HSBC Small cap Equity Fund: S&P BSE 250 Small Cap Index was launched post date of allotment of HSBC Small Cap Equity Fund, the returns since inception are not available.

1. AAuM = Average daily net assets.
2. Gross income = amount against (A) in the Revenue account i.e. Income.
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the year.
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.

1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–
Balrampur Chini Mills Ltd.	Equities	29,696,910	56,482,738	–	–

1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the Years ended March 31, 2021 and March 31, 2020 are NIL.

1.5. Investment in Below Investment grade and default/securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.

1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial years March 31, 2021 and March 31, 2020 are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Equity Shares				
Equity Shares				
– Appreciation	1,268,725,504	38.99	230,516,747	9.35
– Depreciation	164,862,706	5.07	1,111,720,660	45.10

1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020 - 2021 (excluding accretion of discount) is Rs. 1,381,754,173 and Rs. 2,696,469,618 respectively being 45.51% and 88.80% of the average daily net assets.

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

1.8. Non-Traded securities in the portfolio of the scheme as of the Years ended March 31, 2021 and March 31, 2020 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 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.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

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

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2020-2021	5.99	28.73	11,148,082	48.65

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	15.08	17.90	16,269,153.00	29.43

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	2020-21	Nil			

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

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

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

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2021 and March 31, 2020.
 - 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020** :

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	56,296,018.914	2,684,976.975	21,329,496.261	37,651,499.628	10
IDCW Option	25,549,435.999	257,925.154	6,856,976.035	18,950,385.118	10
Direct Plan - Growth Option	12,329,626.422	771,375.636	7,576,119.911	5,524,882.147	10
Direct Plan - IDCW Option	252,275.906	127,471.262	140,707.203	239,039.965	10

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

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2021 is 129,937.630 and as on March 31, 2020 is 129,937.630

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are inclusive of GST where applicable.
- 8 Other Income of Rs. 3,59,297/-Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT (2020: Rs. 54,74,371 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, 2021

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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

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

11 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Small Cap Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Large and Mid Cap Equity Fund

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

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

A stylized handwritten signature in blue ink, appearing to read 'Ravi Menon'.

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Large and Mid-Cap Equity Fund (HLMF)

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

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

The net assets of HLMF amounted to Rs. 487.17 crores as at March 31, 2021 and Rs. 502.69 crores as at March 31 2020. Around 99.05% % of the net assets were invested in equities, 1.01% of the net assets were invested in reverse repos/TREPS and (-0.06%) in net current assets as at March 31, 2021. The inception date of the scheme is March 28, 2019.

HLMF was launched in March 2019. The fund will maintain at least 35% each will be towards large cap stocks and mid cap stocks. The fund has underperformed its benchmark over 1 year and since inception periods. The 1-year performance was adversely impacted by stock selection within Industrials, Communication Services, Utilities, Materials and Financials (in that order). Remaining underweight in Utilities also hurt the performance. In terms of fund strategy, the AMC be looking to be in large caps where scale would be an advantage (like in the case of banks/financials) and while for midcaps the focus will be on sector leaders or niche players in their respective businesses. For example, in segments like retail, consumer durables, speciality chemicals etc., there are sector leaders and niche players within midcap and small caps. In some other cases like that of pharma it has a mix of large and midcaps as there are dominant players in hospitals, diagnostics which are midcaps. The key theme of the portfolio has been to be in sector leaders across the market capitalization spectrum and as they would gain from market share shift along with profit pool consolidation. Given the COVID related disruption, the AMC thinks the above theme would accelerate. The AMC is of the view that the impact of the second wave would be short term in nature followed by a quick rebound. As a result, the Fund Manager is maintaining a pro-cyclical bias in the portfolio. Earnings growth is expected to rebound sharply in FY22 (post the short disruption period in 1Q). Earnings growth momentum is expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). Benign cost of capital and reasonable valuations (in the context of multi-year earnings outlook), should act as additional support to the equity performance, in the medium term. From a sectoral perspective the order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in the pecking order. This preference is dictated by AMC's assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. In line with this thought process, the fund is overweight on Financials, Consumer Discretionary, Industrials, Healthcare, Technology, Materials and Real Estate sectors. The underweight sectors are Consumer Staples, Energy, Communication Services and Utilities.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 28 March 2019	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Large and Mid Cap Equity Fund- Growth	68.94	NA	NA	14.05
NIFTY Large Midcap 250 TRI (Scheme Benchmark)	85.91	NA	NA	16.46
Nifty 50 TRI (Standard Benchmark)	72.54	NA	NA	13.92
10,000, if invested in HEHF, would have become	16,894	NA	NA	13,026
10,000, if invested in NIFTY Large Midcap 250 TRI , would have become	18,591	NA	NA	13,586
10,000, if invested in Nifty 50 TRI, would have become	17,254	NA	NA	12,996

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

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

► EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year^
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution

Trustees' Report

For the year ended March 31, 2021 (Contd...)

remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

a. Sponsor

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

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

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, 2021 (Contd...)

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Large and Mid cap Equity Fund	Nil	Nil	166,840.36	4

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
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	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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 December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Large And Mid Cap Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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, 2021 (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, 2021 (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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Large And Mid Cap Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Large And Mid Cap Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADQ8213

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	37,391.69	65,146.76
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(4,180.56)	(16.95)
2.2 Unrealised Appreciation Reserve	14,364.34	–
2.3 Other Reserves	1,148.43	(14,888.94)
3 Loans & Borrowings	–	–
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	–	–
4.2 Other Current Liabilities & Provisions	680.78	598.90
TOTAL	49,404.68	50,839.77
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	48,254.62	48,170.75
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	–	3.33
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	48,254.62	48,174.08
2 Deposits	1.92	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	11.30	15.00
3.2 TREPS / Reverse Repo Lending	490.47	2,254.19
3.3 Others	646.37	395.00
4 Deferred Revenue Expenditure (to the extent not written off)	–	–
TOTAL	49,404.68	50,839.77

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

	Current Year ended March 31, 2021	Previous period ended March 31, 2020
1 INCOME		
1.1 Dividend	340.54	678.43
1.2 Interest	27.70	204.10
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	3,298.39	(2,894.71)
1.6 Realised Gains / (Losses) on Derivative Transactions	—	—
1.7 Other Income	15.39	103.67
(A)	3,682.02	(1,908.51)
2 EXPENSES		
2.1 Investment Management Fees	494.25	558.09
2.2 GST on Investment Management Fees	88.97	100.46
2.3 Transfer Agents Fees and Expenses	59.13	80.06
2.4 Custodian Fees	6.55	7.61
2.5 Trusteeship Fees	1.75	1.85
2.6 Commission to Agents	626.38	748.04
2.7 Marketing & Distribution Expenses	0.95	0.54
2.8 Audit Fees	2.42	3.79
2.9 Investor Education Expenses	10.67	12.81
2.10 Interest on Borrowing	—	—
2.11 Other Operating Expenses	11.07	15.42
(B)	1,302.14	1,528.67
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	2,379.88
4 Change in Unrealised Depreciation in Value of Investments	(D)	11,387.09
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	13,766.97
6 Change in Unrealised Appreciation in Value of Investments	(F)	14,364.34
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	28,131.31
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	—	30.89
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	(14,364.34)	—
7.3 Add / (Less) : Equalisation	2,270.40	(106.37)
7.4 Transfer from Reserve Fund	(14,888.94)	41.70
7.5 Transfer from Unit Premium Reserve	—	—
8 Total	1,148.43	(14,888.94)
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	1,148.43	(14,888.94)

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	7.7100	10.0112
IDCW Option	7.7100	10.0112
Direct Plan - Growth Option	7.8362	10.0129
Direct Plan - IDCW Option	7.8331	10.0129
High		
Growth Option	13.4264	10.9632
IDCW Option	13.4264	10.9632
Direct Plan - Growth Option	13.8475	11.1216
Direct Plan - IDCW Option	13.8352	11.1179
Low		
Growth Option	7.3153	6.9946
IDCW Option	7.3153	6.9946
Direct Plan - Growth Option	7.4360	7.1063
Direct Plan - IDCW Option	7.4331	7.1036
End		
Growth Option	13.0251	7.7100
IDCW Option	13.0251	7.7100
Direct Plan - Growth Option	13.4616	7.8362
Direct Plan - IDCW Option	13.4483	7.8331
2. Closing Assets Under Management (Rs. in Lakhs)		
End	48,717	50,269
Average (AAuM) ¹	53,363	64,047
3. Gross income as % of AAuM ²	6.90%	-2.98%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST tax on Management fees) (planwise)		
Regular Plan (Continue)	2.47%	2.42%
Direct Plan	0.81%	0.83%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.93%	0.88%
Direct Plan	0.53%	0.54%
5. Net Income as a percentage of AAuM ³	4.46%	-5.37%
6. Portfolio turnover ratio ⁴	0.60	1.14

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
IDCW Option	—	—
Direct Plan - IDCW Option	—	—
Corporate		
IDCW Option	—	—
Direct Plan - IDCW Option	—	—
8. Returns (%):		
a. Last One Year		
Scheme		
Growth Option	68.9400	(22.6800)
Direct Plan - Growth Option	71.7900	(21.4300)
Benchmark		
NIFTY LargeMidcap 250 TRI	85.9100	(26.6700)
b. Since Inception		
Scheme		
Growth Option	14.0500	(22.6800)
Direct Plan - Growth Option	15.9300	(21.4300)
Benchmark		
NIFTY LargeMidcap 250 TRI	16.4600	(26.6700)

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, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2021		2020	
Bharti Airtel Ltd.	Equities	66,233,828	470,907,573	116,587,250	594,575,759
Max Financial Services Ltd.	Equities	114,248,393	172,035,228	–	–
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial Years March 31, 2021 and March 31, 2020 and percentage to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Equity Shares				
– Appreciation	1,457,268,693	29.91	137,032,346	2.73
– Depreciation	20,834,685	0.43	1,275,741,175	25.38
Certificate of Deposit/ Commercial Papers				
– Appreciation	–	–	–	–
– Depreciation	–	–	–	–

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020 - 2021 (excluding accretion of discount) is Rs. 31,92,049,898 and Rs. 60,89,003,371 respectively being 59.82% and 114.11% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019 - 2020 (excluding accretion of discount) is Rs. 11,151,619,876 and Rs. 7,286,860,237 respectively being 174.12% and 113.77% of the average daily net assets.

- 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, 2021 & March 31, 2020 is Nil.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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.

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

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

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	16.04	33.76	30,836,682	53.72

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	35.10	24.09	41,459,800	63.74

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	2020-2021	12.75	0.40	113,673	1.08

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. in Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020	11.10	0.08	133,033	0.87

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

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 and March 31, 2020.
 - 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	596,374,003.181	40,119,127.456	286,951,198.757	349,541,931.880	10
IDCW Option	44,784,254.941	1,809,917.989	27,005,676.258	19,588,496.672	10
Direct Plan - Growth Option	7,008,655.471	714,874.666	3,250,354.915	4,473,175.222	10
Direct Plan - IDCW Option	3,300,730.231	121,172.832	3,108,632.260	313,270.803	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	561,475,278.616	118,724,908.934	83,826,184.369	596,374,003.181	10
IDCW Option	50,650,752.296	5,554,259.521	11,420,756.876	44,784,254.941	10
Direct Plan - Growth Option	29,561,952.490	12,643,379.947	35,196,676.966	7,008,655.471	10
Direct Plan - IDCW Option	217,647.217	3,103,715.534	20,632.520	3,300,730.231	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 500,000.000 & as on 31/03/2020 is 500,000.000

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 15,39,325/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 10,367,469/- 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, 2021

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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

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

11 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Large and Midcap Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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.
- 11 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Focussed Equity Fund

An open ended equity scheme investing in maximum 30 stocks across market caps (i.e. Multi-Cap)

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not need step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Focused Equity Fund (HFEF)

(Focused Fund – An open ended equity scheme investing in maximum 30 stocks across market caps (i.e. Multi-Cap)

HFEF seeks 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.

The net assets of HFEF amounted to Rs. 577.35 crores as at March 31, 2021. Around 99.08% of the net assets were invested in equities, 1.33% of the net assets were invested in reverse repos/TREPS and (-0.41%) in net current assets as at March 31, 2021. The inception date of the scheme is July 29, 2020.

HFEF is a fund launched in July 2020. HFEF is a flexi cap fund and it remained invested in a diversified portfolio across all capitalization stocks. It has a focus approach to investing and will limit the number of stock in the fund to 30. HFEF has underperformed its benchmark since inception. Underperformance has largely come from allocation affect. The fund took couple of months to deploy the cash but market was moving up during this period. Because of this the average cash holding in the fund was ~6.5% and market has moved up by around 35% during this period. This was the largest contributor of underperformance. Additionally, overweight in communication services and underweight in Utilities also dragged the performance.

Looking ahead, the AMC believes that the trend of profit pool consolidating with the dominant players in respective sectors/industries, is likely to continue and disruptions such as COVID, could accelerate that shift. The Fund Manager is positive on the theme of profit pool migration and consolidation visible across and within sectors as well as market capitalization segments. So as a result, the AMC would be focusing on market leaders or dominant companies within each sectors that are available at reasonable valuations. The AMC's bottom up stock selection also focuses on earnings growth and within that there is an emphasis on stocks that are likely to deliver positive earnings surprises.

The AMC is of the view that the impact of the second wave would be short term in nature followed by a quick rebound. As a result, the Fund Manager is maintaining a pro-cyclical bias in the portfolio. Earnings growth is expected to rebound sharply in FY22 (post the short disruption period in 1Q). Earnings growth momentum is expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). Benign cost of capital and reasonable valuations (in the context of multi-year earnings outlook), should act as additional support to the equity performance, in the medium term. From a sectoral perspective the order of preference is rate sensitives followed by domestic cyclical, exporters and domestic consumption. Predominantly regulated businesses come last in the pecking order. This preference is dictated by AMC's assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. In line with this thought process, the fund is overweight on Industrials, Real Estate, Materials and Consumer Discretionary. The fund is underweight on Consumer Staples, Energy, Healthcare, Communication Services and Utilities. Technology and Financials are neutral weighted sectors.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 22 July 2020	Absolute Returns (%)		Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	6 months	1 year	3 Years	5 Years	Since Inception
HSBC Focused Equity Fund- Growth	30.92	NA	NA	NA	31.96
S&P BSE 200 TRI (Scheme Benchmark)	32.22	NA	NA	NA	35.93
Nifty 50 TRI (Standard Benchmark)	31.22	NA	NA	NA	32.84
10,000, if invested in HFEF, would have become	11,541.00	NA	NA	NA	13,196.00
10,000, if invested in S&P BSE 200 TRI, would have become	11,606.00	NA	NA	NA	13,593.00
10,000, if invested in Nifty 50 TRI, would have become	11,557.00	NA	NA	NA	13,284.00

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI). Absolute returns have been provided for less than 1 year.

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DII's on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year^
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years

Trustees' Report

For the year ended March 31, 2021 (Contd...)

(first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their

Trustees' Report

For the year ended March 31, 2021 (Contd...)

GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2021:

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 9 locations at its own offices - namely

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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 Advissorkhoj 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

- b) The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- c) Full Annual Report 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 2021

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 2021 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 December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Focused Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
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.

13. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

14. 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 20, 2021.

[#] Scheme launched during the current financial year

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Focused Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Focused Equity Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the period ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the period ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAADR4219

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

		Rs. in Lakhs
		As at March 31, 2021 [#]
LIABILITIES		
1	Unit Capital	43,749.98
2	Reserves & Surplus	
2.1	Unit Premium Reserves	(1,463.03)
2.2	Unrealised Appreciation Reserve	13,629.07
2.3	Other Reserves	1,833.26
3	Loans & Borrowings	–
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	–
4.2	Other Current Liabilities & Provisions	240.88
TOTAL		57,990.16
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	57,213.34
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		57,213.34
2	Deposits	0.64
3	Other Current Assets	
3.1	Cash & Bank Balance	8.25
3.2	TREPS / Reverse Repo Lending	767.86
3.3	Others	0.07
4	Deferred Revenue Expenditure (to the extent not written off)	–
TOTAL		57,990.16

[#] Scheme launched during the current financial year

Notes to Accounts - Annexure I

Abridged Revenue Account for the period ended March 31, 2021

Rs. in Lakhs

		Current period ended March 31, 2021[#]
1 INCOME		
1.1 Dividend		210.49
1.2 Interest		126.73
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		2,450.41
1.6 Realised Gains / (Losses) on Derivative Transactions		—
1.7 Other Income		123.27
	(A)	2,910.90
2 EXPENSES		
2.1 Investment Management Fees		364.27
2.2 GST on Investment Management Fees		65.57
2.3 Transfer Agents Fees and Expenses		43.55
2.4 Custodian Fees		4.45
2.5 Trusteeship Fees		0.84
2.6 Commission to Agents		436.55
2.7 Marketing & Distribution Expenses		0.59
2.8 Audit Fees		2.87
2.9 Investor Education Expenses		7.71
2.10 Interest on Borrowing		—
2.11 Other Operating Expenses		10.76
	(B)	937.16
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	1,973.74
4 Change in Unrealised Depreciation in Value of Investments	(D)	—
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	1,973.74
6 Change in Unrealised Appreciation in Value of Investments	(F)	13,629.07
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	15,602.81
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve		—
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve		(13,629.07)
7.3 Add / (Less) : Equalisation		(140.48)
7.4 Transfer from Reserve Fund		—
7.5 Transfer from Unit Premium Reserve		—
8 Total		1,833.26
9 Dividend Appropriation		
9.1 Income Distributed during the Year		—
9.2 Tax on Income Distributed during the Year		—
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet		1,833.26

[#] Scheme launched during the current financial year

Notes to Accounts - Annexure I

Key Statistics for the period ended March 31, 2021

	Current period ended March 31, 2021#
1. NAV per unit (Rs.):	
Open	
Growth Option	—
IDCW Option	—
Direct Plan - Growth Option	—
Direct Plan - IDCW Option	—
High	
Growth Option	13.8024
IDCW Option	13.8024
Direct Plan - Growth Option	13.9322
Direct Plan - IDCW Option	13.9322
Low	
Growth Option	9.6654
IDCW Option	9.6654
Direct Plan - Growth Option	9.6927
Direct Plan - IDCW Option	9.6927
End	
Growth Option	13.1961
IDCW Option	13.1961
Direct Plan - Growth Option	13.3476
Direct Plan - IDCW Option	13.3476
2. Closing Assets Under Management (Rs. in Lakhs)	
End	57,736
Average (AAuM) ¹	55,613
3. Gross income as % of AAuM ² (Annualised)	7.55%
4. Expense Ratio:	
a. Total Expense as % of AAuM (including GST tax on Management fees) (planwise) (Annualised)	
Regular Plan (Continue)	2.47%
Direct Plan	0.82%
b. Management Fee as % of AAuM (planwise) (Annualised)	
Regular Plan (Continue)	0.95%
Direct Plan	0.54%
5. Net Income as a percentage of AAuM ³ (Annualised)	5.12%
6. Portfolio turnover ratio ⁴	0.30
7. Total Dividend per unit distributed during the year (planwise)	
Retail	
IDCW Option	—
Direct Plan - IDCW Option	—

Key Statistics for the period ended March 31, 2021 (Contd...)

	Current period ended March 31, 2021 [#]
Corporate	
IDCW Option	—
Direct Plan - IDCW Option	—
8. Returns (%):	
a. Last One Year	
Scheme	
Growth Option	NA
Direct Plan - Growth Option	NA
Benchmark	
S&P BSE 200 TRI	NA
b. Since Inception	
Scheme	
Growth Option	31.96% ^{¥¥}
Direct Plan - Growth Option	33.48% ^{¥¥}
Benchmark	
S&P BSE 200 TRI	35.93% ^{¥¥}

^{¥¥} Since scheme has not completed one year since inception scheme & benchmark returns are absolute returns

¹ AAuM = Average daily net assets.

² Gross income = amount against (A) in the Revenue account i.e. Income.

³ Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the year.

⁴ Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year.

[#] Scheme launched during the current financial year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of period ended March 31, 2021 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes
			2021
Bharti Airtel Ltd.	Equities	248,757,628	470,907,573
Max Financial Services Ltd.	Equities	–	172,035,228
Balrampur Chini Mills Ltd.	Equities	–	56,482,738

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the period ended March 31, 2021 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 is NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial period March 31, 2021 is as follows:

Security Category	Amount (Rs.)	Percentage to Net Assets
	2021	
Equity Shares		
– Appreciation	1,381,549,814	23.93
– Depreciation	18,642,859	0.32

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020 - 2021 (excluding accretion of discount) is Rs. 5,760,895,240 and Rs. 1,647,619,947 respectively being 149.45% and 42.74% of the average daily net assets.
- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is Nil.

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.

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

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

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	467.13	81.78	24,313,138	64.46

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

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021

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

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

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

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil.
 - (ii) Devolvement - Nil.
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil.
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil.
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the period ended March 31, 2021.
 - 4 Unit Capital movement during the period ended March 31, 2021**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	–	537,999,931.724	118,432,500.939	419,567,430.785	10
IDCW Option	–	7,917,097.663	764,850.543	7,152,247.120	10
Direct Plan - Growth Option	–	11,961,390.753	1,250,705.545	10,710,685.208	10
Direct Plan - IDCW Option	–	71,559.432	2,117.561	69,441.871	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2021 is 499,975.001

- 5 As these are the first financial statements of the schemes since the date of launch, there are no prior period comparatives.
- 6 No contingent liabilities for the period ended March 31, 2021.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 12,327,435/- 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021
	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40
Add: Accrual during FY 2020-21	195.77
Less: Transferred to AMFI *	89.04
Less: Payable to AMFI (March 2021 accrual) *	8.84

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

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021

Particulars	March 31, 2021
	Amount (in Rs. Lacs)
Add: Investment Income FY 2020-21	11.94
Less: Spent during FY 2020-21	43.73
Closing Balance as on March 31, 2021	373.49

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

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

11 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Focussed Equity Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020."

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/8/132968/2008 dated July 24, 2008.

Scheme launched during the current financial year.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



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 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

A stylized handwritten signature in blue ink, appearing to read 'Ravi Menon'.

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Global Emerging Markets Fund (HGEMF)

(An open-ended fund of fund scheme investing in HSBC Global Investment Funds - Global Emerging Markets Equity Fund)

The primary investment objective of the Scheme is to provide long term capital appreciation by investing predominantly in units/shares of HSBC Global Investment Funds - Global Emerging Markets Equity Fund. The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HGEMF amounted to Rs. 18.33 crores as at March 31, 2021 compared to Rs. 8.22 crores as at March 31, 2020. Around 96.10% of the net assets were invested in HSBC GEM Equity Fund (overseas mutual fund), 3.90% of the net assets comprised of reverse repos/TREPS and current assets as at March 31, 2021.

HGEMF is a feeder fund and its performance depends upon performance of its underlying fund. The fund has outperformed its benchmark over 1 & 3 year periods, while it underperformed over 5 year and since inception time periods, on account of the performance of its underlying fund.

Date of Inception : 17 March 2008	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Global Emerging Markets Fund - Growth	55.64	11.26	14.17	5.44
MSCI Emerging Market TRI (Scheme Benchmark)	53.74	10.91	14.34	9.03
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	10.80
Rs. 10,000, if invested in HGEMF, would have become	15,564	13,789	19,405	19,959
Rs. 10,000, if invested in MSCI Emerging Market TRI, would have become	15,374	13,659	19,550	30,892
Rs. 10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	38,115

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DII on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness

Trustees' Report

For the year ended March 31, 2021 (Contd...)

an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards

Trustees' Report

For the year ended March 31, 2021 (Contd...)

the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by an additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the

Trustees' Report

For the year ended March 31, 2021 (Contd...)

non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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, 2021 (Contd...)

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Global Emerging Markets Fund	4,225.52	8	974,763.84	27

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

Trustees' Report

For the year ended March 31, 2021 (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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

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; 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 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Global Emerging Markets Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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	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, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non - compliance, if any
	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.			
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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Global Emerging Markets Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Global Emerging Markets Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADU3615

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	906.50	640.83
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(200.31)	(436.85)
2.2 Unrealised Appreciation Reserve	524.01	101.88
2.3 Other Reserves	603.31	516.14
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	20.70	14.04
TOTAL	1,854.21	836.04
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	—	—
1.1.2 Preference Shares	—	—
1.1.3 Equity Linked Debentures	—	—
1.1.4 Other Debentures & Bonds	—	—
1.1.5 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	1,761.83	807.34
Total Investments	1,761.83	807.34
2 Deposits	1.59	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	0.27	0.46
3.2 TREPS / Reverse Repo Lending	80.62	17.84
3.3 Others	9.90	8.90
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	1,854.21	836.04

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	17.42	17.34
1.2	Interest	1.55	1.37
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	(0.02)	(1.04)
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	—	—
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	59.88	34.42
1.6	Realised Gains / (Losses) on Derivative Transactions	—	—
1.7	Other Income	2.60	0.74
	(A)	81.43	52.83
2	EXPENSES		
2.1	Investment Management Fees	7.76	4.59
2.2	GST on Investment Management Fees	1.40	0.83
2.3	Transfer Agents Fees and Expenses	0.73	0.54
2.4	Custodian Fees	1.86	1.73
2.5	Trusteeship Fees	0.04	0.03
2.6	Commission to Agents	4.70	4.12
2.7	Marketing & Distribution Expenses	0.02	0.02
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.26	0.18
2.10	Other Operating Expenses	1.21	0.73
	(B)	18.18	12.97
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	63.25	39.86
4	Change in Unrealised Depreciation in Value of Investments	(D) —	—
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	63.25	39.86
6	Change in Unrealised Appreciation in Value of Investments	(F) 422.13	(109.91)
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	485.38	(70.05)
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—	109.91
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(422.13)	—
7.3	Add / (Less) : Equalisation	23.92	(14.27)
7.4	Transfer from Reserve Fund	516.14	490.55
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	603.31	516.14
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	603.31	516.14

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	12.8277	13.9009
Regular Plan IDCW Option	12.2729	13.2996
Direct Plan - Growth Option	13.5144	14.5422
Direct Plan - IDCW Option	12.9349	13.9249
High		
Regular Plan Growth Option	22.5307	15.9573
Regular Plan IDCW Option	21.5562	15.2671
Direct Plan - Growth Option	23.8889	16.7857
Direct Plan - IDCW Option	22.8579	16.0679
Low		
Regular Plan Growth Option	12.5161	11.5174
Regular Plan IDCW Option	11.9748	11.0193
Direct Plan - Growth Option	13.1863	12.1317
Direct Plan - IDCW Option	12.6209	11.6117
End		
Regular Plan Growth Option	19.9645	12.8277
Regular Plan IDCW Option	19.1009	12.2729
Direct Plan - Growth Option	21.1886	13.5144
Direct Plan - IDCW Option	20.2737	12.9349
2. Closing Assets Under Management (Rs. in Lakhs)		
End	1,833	822
Average (AAuM) ¹	1,321	911
3. Gross income as % of AAuM ²	6.16%	5.80%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	1.59%	1.53%
Direct Plan	0.85%	0.82%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.65%	0.52%
Direct Plan	0.44%	0.38%
5. Net Income as a percentage of AAuM ³	4.79%	4.37%
6. Portfolio turnover ratio ⁴	0.13	0.16
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, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate		
Regular Plan IDCW Option	-	-
Direct Plan - IDCW Option	-	-
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	55.6400	(7.6700)
Direct Plan - Growth Option	56.7900	(7.0200)
Benchmark		
MSCI Emerging Markets Index	53.7400	(10.4200)
b. Since Inception		
Scheme		
Regular Plan Growth Option	5.4400	2.3400
Direct Plan - Growth Option	7.9100	3.0700
Benchmark		
MSCI Emerging Markets Index	9.0300	5.9600

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
2020-21				
HSBC Emerging Markets Fund	0.85%	1.29%	2.14%	2.30% from 01-Apr-2019
2019-20				
HSBC Emerging Markets Fund	0.85%	1.42%	2.27%	2.30% from 01-Apr-2019

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years end and their percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Foreign Securities				
– Appreciation	52,400,837	28.58	10,187,516	12.40
– Depreciation	–	–	–	–

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-2021 (excluding accretion of discount) is Rs. 64,335,765 and 17,097,912 respectively being 48.70% and 12.94% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 20,771,930 and 14,146,385 respectively being 22.79% and 15.52% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2021 and March 31, 2020 are NIL.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2020-2021	0.35	3.10	50,172.30	14.41

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	~0.00	0.07	52,345.90	16.56

~ Indicates less than 0.01

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2021 and March 31, 2020.
 - 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	3,866,623.646	2,513,939.521	1,565,249.813	4,815,313.354	10
Regular Plan IDCW Option	1,397,696.758	45,781.936	106,991.772	1,336,486.922	10
Direct Plan - Growth Option	1,118,559.912	2,171,082.413	419,766.149	2,869,876.176	10
Direct Plan - IDCW Option	25,464.359	42,531.508	24,652.507	43,343.360	10

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	3,947,222.922	1,039,624.519	1,120,223.795	3,866,623.646	10
Regular Plan IDCW Option	1,520,548.278	36,377.089	159,228.609	1,397,696.758	10
Direct Plan - Growth Option	456,427.617	749,071.709	86,939.414	1,118,559.912	10
Direct Plan - IDCW Option	25,135.594	7,322.465	6,993.700	25,464.359	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 113,484.384 & as on March 31, 2020 is 113,484.384

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income of Rs. 260,353/- Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT (2020: Rs. 74,172/- 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 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 as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Global Emerging Markets Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Brazil Fund

An open ended fund of fund Scheme investing in HSBC Global Investments Fund - Brazil Equity Fund

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Brazil Fund (HBF)

(An open ended fund of fund scheme investing in HSBC Global Investments Fund - Brazil Equity Fund)

HBF seeks to provide long term capital appreciation by investing predominantly in units/shares of HSBC Global Investments Funds (HGIF) Brazil Equity Fund. The Scheme may, at the discretion of the Investment Manager, also invest in the units of other similar overseas mutual fund schemes, which may constitute a significant part of its corpus. The scheme may also invest a certain proportion of its corpus in money market instruments and/or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HBF amounted to Rs. 18.09 crores as at March 31, 2021 compared to Rs. 12.16 crores as at March 31, 2020. Around 97.67 % of the net assets were invested in HSBC Global Investment Funds (HGIF) Brazil Equity Fund (overseas mutual fund), 2.33% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2021.

HBF is a feeder fund and its performance depends upon the performance of its underlying fund. The fund has underperformed its benchmark across all time periods on account of the performance of its underlying fund.

Date of Inception : 6 May 2011	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Brazil Fund – Growth	26.82	-5.76	5.20	-3.85
MSCI Brazil 10/40 TRI (Scheme Benchmark)	38.80	-0.86	10.29	1.54
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	11.70
Rs. 10,000, if invested in HBF, would have become	12,682	8,364	12,887	6,777
Rs. 10,000, if invested in MSCI Brazil 10/40 TRI, would have become	13,880	9,743	16,323	11,635
Rs. 10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	29,936

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second

Trustees' Report

For the year ended March 31, 2021 (Contd...)

wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards

Trustees' Report

For the year ended March 31, 2021 (Contd...)

a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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

a. Sponsor

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

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities

Trustees' Report

For the year ended March 31, 2021 (Contd...)

as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Brazil Fund	Nil	Nil	263,616.04	14

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

Trustees' Report

For the year ended March 31, 2021 (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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Brazil Fund	Very High	Very High	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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, 2021 (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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Brazil Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Brazil Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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;

Independent Auditors' Report (Contd...)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADT4387

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	2,603.02	2,233.79
2 Reserves & Surplus		
2.1 Unit Premium Reserves	263.27	171.18
2.2 Unrealised Appreciation Reserve	—	—
2.3 Other Reserves	(1,056.89)	(1,187.81)
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	46.12	15.76
Total	1,855.52	1,232.92
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	1,767.32	1,174.33
Total Investments	1,767.32	1,174.33
2 Deposits	1.58	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	0.65	2.91
3.2 TREPS/Reverse Repo Lending	83.32	48.99
3.3 Others	2.65	5.19
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	1,855.52	1,232.92

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	63.78	78.53
1.2	Interest	2.23	4.11
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	(0.84)	1.21
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	—	—
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	(114.33)	17.94
1.6	Realised Gains/(Losses) on Derivative Transactions	—	—
1.7	Other Income	7.26	3.75
	(A)	(41.90)	105.54
2	EXPENSES		
2.1	Investment Management Fees	8.04	12.43
2.2	GST on Management Fees	1.45	2.24
2.3	Transfer Agents Fees and Expenses	0.88	1.45
2.4	Custodian Fees	1.97	1.94
2.5	Trusteeship Fees	0.05	0.07
2.6	Commission to Agents	5.09	13.17
2.7	Marketing & Distribution Expenses	0.03	0.03
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.33	0.52
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	2.62	4.09
	(B)	20.66	36.14
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR	(C = A - B)	(62.56)
4	Change in Unrealised Depreciation in Value of Investments	(D)	408.89
5	NET GAINS/(LOSSES) FOR THE YEAR	(E = C + D)	(59.67)
6	Change in Unrealised Appreciation in Value of Investments	(F)	—
7	NET SURPLUS/(DEFICIT) FOR THE YEAR	(G = E + F)	346.33
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—	—
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	—	—
7.3	Add/(Less) : Equalisation	(215.41)	(34.58)
7.4	Transfer from Reserve Fund	(1,187.81)	(594.00)
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	(1,056.89)	(1,187.81)
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	(1,056.89)	(1,187.81)

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	5.3445	8.4164
Regular Plan IDCW Option	5.3445	8.4164
Direct Plan - Growth Option	5.6337	8.8043
Direct Plan - IDCW Option	5.6312	8.8043
High		
Regular Plan Growth Option	7.9447	10.2065
Regular Plan IDCW Option	7.9447	10.2065
Direct Plan - Growth Option	8.4270	10.7373
Direct Plan - IDCW Option	8.4223	10.7338
Low		
Regular Plan Growth Option	4.7028	4.6685
Regular Plan IDCW Option	4.7028	4.6685
Direct Plan - Growth Option	4.9618	4.9201
Direct Plan - IDCW Option	4.9594	4.9180
End		
Regular Plan Growth Option	6.7781	5.3445
Regular Plan IDCW Option	6.7781	5.3445
Direct Plan - Growth Option	7.2034	5.6337
Direct Plan - IDCW Option	7.1989	5.6312
2. Closing Assets Under Management (Rs. in Lakhs)		
End	1,809	1,216
Average (AAuM) ¹	1,656	2,584
3. Gross income as % of AAuM ²	-2.53%	4.08%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	1.59%	1.55%
Direct Plan	0.77%	0.79%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.59%	0.50%
Direct Plan	0.34%	0.40%
5. Net Income as a percentage of AAuM ³	-3.78%	2.69%
6. Portfolio turnover ratio ⁴	0.21	0.17
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Plan IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Direct Plan - IDCW Option	—	—
Corporate		
Regular Plan IDCW Option	—	—
Direct Plan - IDCW Option	—	—
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	26.8200	(36.2700)
Direct Plan - Growth Option	27.8600	(35.7800)
Benchmark		
MSCI Brazil 10/40 Index	38.8000	(33.4200)
b. Since Inception		
Scheme		
Regular Plan Growth Option	(3.8500)	(6.7900)
Direct Plan - Growth Option	(3.9300)	(7.6400)
Benchmark		
MSCI Brazil 10/40 Index	1.5400	(1.9600)

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
2020-21				
HSBC Brazil Fund	0.85%	1.20%	2.05%	2.30% from 01-Apr-2019
2019-20				
HSBC Brazil Fund	0.85%	1.40%	2.25%	2.30% from 01-Apr-2019

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years end and their percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Foreign Securities				
– Appreciation	–	–	–	–
– Depreciation	48,184,767	26.63	89,073,622	73.28

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-2021 (excluding accretion of discount) is Rs. 64,028,728 and Rs. 34,187,960 respectively being 38.66% and 20.64% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 45,178,307 and Rs. 121,839,906 respectively being 17.49% and 47.16% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2021 and March 31, 2020 are NIL.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

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

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2020-2021	~0.00	0.01	236,231	51.81

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	~0.00	0.03	407,544	32.98

~ Indicates less than 0.01

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL. (Previous year also Nil).

- Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - Devolvement - Nil (Previous year also Nil).
 - Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2021 and March 31, 2020.
 - Unit Capital movement during the years ended March 31, 2021 and March 31, 2020** :

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	10,817,701.906	6,297,082.250	4,390,591.972	12,724,192.184	10
Regular Plan IDCW Option	3,458,183.782	860,417.037	1,606,478.892	2,712,121.927	10
Direct Plan - Growth Option	7,833,554.477	12,841,225.855	10,433,311.921	10,241,468.411	10
Direct Plan - IDCW Option	228,458.770	636,209.135	512,287.103	352,380.802	10

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan Growth Option	23,280,285.096	2,563,325.469	15,025,908.659	10,817,701.906	10
Regular Plan IDCW Option	3,492,625.983	861,797.521	896,239.722	3,458,183.782	10
Direct Plan - Growth Option	3,787,751.091	7,557,957.077	3,512,153.691	7,833,554.477	10
Direct Plan - IDCW Option	152,388.812	243,780.527	167,710.569	228,458.770	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 701,095.111 & as on 31/03/2020 is 701,095.111

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income of Rs. 726,375 represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: Rs. 375,148 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 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 as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Brazil Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



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 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', with a stylized flourish at the end.

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Asia Pacific (Ex Japan) Dividend Yield Fund (HAPDF)

(An open ended fund of fund scheme investing in HSBC Global Investments Fund - Asia Pacific Ex Japan Equity High Dividend Fund)

HAPDF seeks to provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds (HGIF) Asia Pacific Ex Japan Equity High Dividend Fund. The Scheme may, also invest a certain proportion of its corpus in money market instruments and/or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there is no assurance that the investment objective of the Scheme will be achieved.

The net assets of HAPDF amounted to Rs. 7.36 crores as on March 31, 2021 as compared to 4.85 crores as at March 31, 2020. Around 96.25 % of the net assets were invested in HSBC Global Investment Funds (HGIF) Asia Pacific Ex-Japan Equity High Dividend Fund (overseas mutual fund), 3.75% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2021.

HAPDF is a feeder fund and its performance depends upon the performance of its underlying fund. The fund has underperformed its benchmark across all time periods on account of the performance of its underlying fund.

Date of Inception : 24 February 2014	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Asia Pacific (Ex Japan) Dividend Yield Fund – Growth	46.64	12.56	14.26	9.72
MSCI AC Asia Pacific ex Japan TRI (Scheme Benchmark)	53.97	13.50	15.40	11.14
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	14.35
Rs. 10,000, if invested in HAPDF, would have become	14,664	14,280	19,482	19,323
Rs. 10,000, if invested in MSCI AC Asia Pacific ex -Japan TRI, would have become	15,397	14,642	20,474	21,171
Rs. 10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	25,915

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second

Trustees' Report

For the year ended March 31, 2021 (Contd...)

wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid –Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by

Trustees' Report

For the year ended March 31, 2021 (Contd...)

only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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, 2021 (Contd...)

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2021:

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

Trustees' Report

For the year ended March 31, 2021 (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 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Asia Pacific (Ex Japan) Dividend Yield Fund	Very High	Very High	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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, 2021 (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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Asia Pacific (Ex Japan) Dividend Yield Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Asia Pacific (Ex Japan) Dividend Yield Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADS4569

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

		Rs. in Lakhs	
		As at March 31, 2021	As at March 31, 2020
LIABILITIES			
1	Unit Capital	373.06	365.11
2	Reserves & Surplus		
2.1	Unit Premium Reserves	(85.14)	(87.87)
2.2	Unrealised Appreciation Reserve	242.40	34.35
2.3	Other Reserves	207.89	173.90
3	Loans & Borrowings	—	—
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	—	—
4.2	Other Current Liabilities & Provisions	4.39	2.57
TOTAL		742.60	488.06
ASSETS			
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	—	—
1.1.2	Preference Shares	—	—
1.1.3	Equity Linked Debentures	—	—
1.1.4	Other Debentures & Bonds	—	—
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	708.51	472.81
Total Investments		708.51	472.81
2	Deposits	1.52	1.50
3	Other Current Assets		
3.1	Cash & Bank Balance	2.24	0.61
3.2	TREPS/Reverse Repo Lending	30.32	12.84
3.3	Others	0.01	0.30
4	Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL		742.60	488.06

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	11.76	13.06
1.2	Interest	0.67	1.01
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	(0.32)	(0.67)
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	—	—
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	23.55	30.63
1.6	Realised Gains/(Losses) on Derivative Transactions	—	—
1.7	Other Income	0.37	0.85
	(A)	36.03	44.88
2	EXPENSES		
2.1	Investment Management Fees	1.63	0.63
2.2	GST on Investment Management Fees	0.29	0.11
2.3	Transfer Agents Fees and Expenses	0.34	0.34
2.4	Custodian Fees	1.70	1.71
2.5	Trusteeship Fees	0.02	0.02
2.6	Commission to Agents	1.93	3.03
2.7	Marketing & Distribution Expenses	0.01	0.02
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.13	0.12
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	0.85	1.02
	(B)	7.10	7.20
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR	(C = A - B)	28.93
4	Change in Unrealised Depreciation in Value of Investments	(D)	—
5	NET GAINS/(LOSSES) FOR THE YEAR	(E = C + D)	28.93
6	Change in Unrealised Appreciation in Value of Investments	(F)	208.05
7	NET SURPLUS/(DEFICIT) FOR THE YEAR	(G = E + F)	236.98
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—	67.75
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(208.05)	—
7.3	Add/(Less) : Equalisation	5.06	(15.53)
7.4	Transfer from Reserve Fund	173.90	151.75
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	207.89	173.90
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	207.89	173.90

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	13.1734	14.2247
Regular Plan IDCW Option	13.1734	14.2247
Direct Plan - Growth Option	13.7538	14.7458
Direct Plan - IDCW Option	13.7495	14.7458
High		
Regular Plan Growth Option	19.7682	16.0827
Regular Plan IDCW Option	19.7682	16.0827
Direct Plan - Growth Option	20.7877	16.7629
Direct Plan - IDCW Option	20.7794	16.7580
Low		
Regular Plan Growth Option	12.9281	11.6819
Regular Plan IDCW Option	12.9281	11.6819
Direct Plan - Growth Option	13.4980	12.1932
Direct Plan - IDCW Option	13.4938	12.1895
End		
Regular Plan Growth Option	19.3173	13.1734
Regular Plan IDCW Option	19.3173	13.1734
Direct Plan - Growth Option	20.3285	13.7538
Direct Plan - IDCW Option	20.3203	13.7495
2. Closing Assets Under Management (Rs. in Lakhs)		
End	736	485
Average (AAuM) ¹	635	580
3. Gross income as % of AAuM ²	5.67%	7.74%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	1.42%	1.38%
Direct Plan	0.64%	0.66%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.35%	0.12%
Direct Plan	0.10%	0.06%
5. Net Income as a percentage of AAuM ³	4.55%	6.49%
6. Portfolio turnover ratio ⁴	0.16	0.19
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, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate		
Regular Plan IDCW Option	–	–
Direct Plan - IDCW Option	–	–
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option	46.6400	(7.3400)
Direct Plan - Growth Option	47.8000	(6.6800)
Benchmark		
MSCI AC Asia Pacific ex Japan	53.9700	(7.7800)
b. Since Inception		
Scheme		
Regular Plan Growth Option	9.7200	4.6200
Direct Plan - Growth Option	10.5100	5.3600
Benchmark		
MSCI AC Asia Pacific ex Japan	11.1400	5.3500

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 ***
2020-21				
HSBC Asia Pacific (Ex Japan) Dividend Yield Fund	0.65%	1.10%	1.75%	2.30% from 01-Apr-2019
2019-20				
HSBC Asia Pacific (Ex Japan) Dividend Yield Fund	0.65%	1.25%	1.90%	2.30% from 01-Apr-2019

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years end and their percentages to net assets are as under:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Foreign Securities				
– Appreciation	24,228,717	32.91%	3,423,710	7.05%
– Depreciation	–	–	–	–

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2020-2021 (excluding accretion of discount) is Rs. 10,450,888 and 10,042,155 respectively being 16.45% and 15.81% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2019-2020 (excluding accretion of discount) is Rs. 11,072,962 and 16,824,496 respectively being 19.09% and 29.00% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2021 and March 31, 2020 are NIL.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2020-2021	0.01	0.19	138,027.61	75.36

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	1.04	67.84	224,348.60	85.99

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL. (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020** :

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	2,660,001.297	125,174.385	893,323.456	1,891,852.226	10
Regular Plan IDCW Option	212,682.133	62,898.338	174,655.295	100,925.176	10
Direct Plan - Growth Option	742,275.399	1,079,261.482	183,319.508	1,638,217.373	10
Direct Plan - IDCW Option	36,094.535	85,658.467	22,154.566	99,598.436	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021**

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	2,766,039.111	832,258.138	938,295.952	2,660,001.297	10
Regular Plan IDCW Option	629,618.415	60,017.932	476,954.214	212,682.133	10
Direct Plan - Growth Option	648,213.059	166,456.857	72,394.517	742,275.399	10
Direct Plan - IDCW Option	21,196.866	27,034.936	12,137.267	36,094.535	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 434,480.361 & as on 31/03/2020 is 434,480.361

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income credited to the scheme of Rs. 37,202 represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT.
(2020 :- Rs. 84,824 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*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 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 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 as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Asia Pacific (Ex Japan) Div Yield Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 Merger of HSBC Global Consumer Opportunities Fund with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund and introduction of provisions for creation of segregated portfolio.

The Board of Directors of HSBC Asset Management (India) Private limited and Board of Trustees of HSBC Mutual Fund, vide their resolutions dated January 21, 2021 and January , 2021 and January 22, 2021 respectively, approved the merger of HSBC Global Consumer Opportunities Fund (HGCOF) in to HSBC Asia Pacific (Ex Japan) Dividend Yield Fund (HAPDYF).

Further, provisions for creation of segregated portfolio were introduced in the Scheme Information Document (SID) & Key Information Document (KIM) of HAPDYF.

SEBI has granted its no objection to the aforesaid proposals vide its email dated April 09, 2021. Accordingly, a notice was published in the newspapers on April 12, 2021 giving an option to the unit holders of HGCOF and HAPDYF to exit from the respective schemes during the period from April 13, 2021 to May, 12 2021 (both days inclusive) at the applicable NAV, without payment of exit load, if any and sale of units in the HGCOF was suspended effective from April 13, 2021. The effective date for the aforesaid changes/proposals was May 13, 2021. The HGCOF was merged into HAPDYF and ceased to exist from the effective date i.e. May 13, 2021. The unit holders of HGCOF who have not exercised the exit option during the aforesaid exit window have been allotted units under the respective plans/options of HAPDYF at the NAV declared as on the close of business hours on May 13, 2021.

- 14 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Global Consumer Opportunities Fund – Benefiting From China’s Growing Consumption Power

An open ended fund of fund Scheme investing in HSBC Global Investments Fund - China Consumer Opportunities Fund

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', with a stylized flourish at the end.

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees’ Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund (“Fund”) present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Global Consumer Opportunities Fund (HGCOF)*

— Benefiting from China’s Growing Consumption Power (HGCOF)

(An open ended fund of fund scheme investing in HSBC Global Investments Fund - China Consumer Opportunities Fund)

HGCOF seeks to provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds (HGIF) China Consumer Opportunities Fund. The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HGCOF amounted to Rs. 4.93 crores as at March 31, 2021 as compared to Rs. 3.53 crores as on March 31, 2020. Around 96.31 % of the net assets were invested in HSBC Global Investment Funds (HGIF) China Consumer Opportunities Fund (overseas mutual fund) and 3.69% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2021.

HGCOF is a feeder fund and its performance depends upon the performance of its underlying fund. The fund has underperformed its benchmark across all time periods on account of the performance of its underlying fund.

Date of Inception : 24 February 2015	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Global Consumer Opportunities Fund – Growth	44.56	13.33	13.54	9.99
MSCI AC World TRI (Scheme Benchmark)	50.06	16.78	15.51	12.61
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	10.22
Rs. 10,000, if invested in HGCOF, would have become	14,456	14,576	18,875	17,882
Rs. 10,000, if invested in MSCI AC World TRI, would have become	15,006	15,953	20,572	20,646
Rs. 10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	18,112

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

*This scheme has been ceased to exist effective from May 13, 2021 due to merger of HGCOF into HSBC Asia Pacific (Ex Japan) Dividend Yield Fund.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness

Trustees' Report

For the year ended March 31, 2021 (Contd...)

an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted

Trustees' Report

For the year ended March 31, 2021 (Contd...)

INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by

Trustees’ Report

For the year ended March 31, 2021 (Contd...)

only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day’s post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI’s words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI’s comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government’s conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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, 2021 (Contd...)

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2021:

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

Trustees' Report

For the year ended March 31, 2021 (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 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Global Consumer Opportunities Fund	Very High	Very High	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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	Complied	Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy	N.A.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
	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.		document. The policy document is publicly 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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors’ Report

To the Trustees of HSBC Mutual Fund

HSBC Global Consumer Opportunities Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Global Consumer Opportunities Fund** (the ‘Scheme’) of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

The Scheme’s management, the Board of Directors of HSBC Mutual Fund (the ‘Trustees’) and the Board of Directors of HSBC Asset Management (India) Private Limited (the ‘AMC’) (collectively referred to as ‘Management’) are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations of the Scheme 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 (the ‘Regulations’) and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The management is 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

Independent Auditors' Report (Contd...)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADV9934

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	270.95	281.69
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(34.05)	(33.74)
2.2 Unrealised Appreciation Reserve	195.23	56.57
2.3 Other Reserves	61.28	48.37
3 Loans & Borrowings	–	–
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	–	–
4.2 Other Current Liabilities & Provisions	2.62	4.25
TOTAL	496.03	357.14
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	474.92	346.07
Total Investments	474.92	346.07
2 Deposits	1.51	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	0.31	0.60
3.2 TREPS/Reverse Repo Lending	19.29	7.55
3.3 Others	–	1.42
4 Deferred Revenue Expenditure (to the extent not written off)	–	–
TOTAL	496.03	357.14

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	0.47	0.64
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	(0.10)	(0.57)
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	–	–
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	19.94	22.80
1.6	Realised Gains/(Losses) on Derivative Transactions	–	–
1.7	Other Income	0.36	0.21
	(A)	20.67	23.08
2	EXPENSES		
2.1	Investment Management Fees	0.63	0.35
2.2	GST on Investment Management Fees	0.11	0.06
2.3	Transfer Agents Fees and Expenses	0.22	0.22
2.4	Custodian Fees	1.66	1.71
2.5	Trusteeship Fees	0.01	0.01
2.6	Commission to Agents	1.43	1.78
2.7	Marketing & Distribution Expenses	0.01	0.02
2.8	Audit Fees	0.20	0.06
2.9	Investor Education Expenses	0.09	0.07
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	0.90	0.51
	(B)	5.26	4.79
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B)	15.41	18.29
4	Change in Unrealised Depreciation in Value of Investments	–	–
	(D)	–	–
5	NET GAINS/(LOSSES) FOR THE YEAR (E = C + D)	15.41	18.29
6	Change in Unrealised Appreciation in Value of Investments	138.66	(32.45)
	(F)	138.66	(32.45)
7	NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F)	154.07	(14.16)
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	–	32.45
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(138.66)	–
7.3	Add/(Less) : Equalisation	(2.50)	(2.39)
7.4	Transfer from Reserve Fund	48.37	32.47
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	61.28	48.37
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	61.28	48.37

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	12.3687	12.8929
Direct Plan - Growth Option	12.8253	13.2749
High		
Regular Plan Growth Option	17.8800	15.0112
Direct Plan - Growth Option	18.6716	15.5378
Low		
Regular Plan Growth Option	11.9892	10.6794
Direct Plan - Growth Option	12.4320	11.0716
End		
Regular Plan Growth Option	17.8800	12.3687
Direct Plan - Growth Option	18.6716	12.8253
2. Closing Assets Under Management (Rs. in Lakhs)		
End	493	353
Average (AAuM) ¹	427	362
3. Gross income as % of AAuM ²	4.84%	6.38%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	1.52%	1.48%
Direct Plan	0.81%	0.78%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.20%	0.11%
Direct Plan	0.07%	0.06%
5. Net Income as a percentage of AAuM ³	3.61%	5.05%
6. Portfolio turnover ratio ⁴	0.07	0.22
7. Total Dividend per unit distributed during the year (planwise)		
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	44.5600	(4.0400)
Direct Plan - Growth Option	45.5800	(3.3600)

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Benchmark		
MSCI AC World Index	50.0600	(3.4800)
b. Since Inception		
Scheme		
Regular Plan Growth Option	9.9900	4.2500
Direct Plan - Growth Option	10.7700	5.0000
Benchmark		
MSCI AC World Index	12.6100	6.4500

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	Total TER	Maximum TER Cap as per circular
2020-21				
HSBC Global Consumer Opportunities Fund – Benefiting From China's Growing Consumption Power	0.70%	1.23%	1.93%	2.30% from 01-Apr-2019
2019-20				
HSBC Global Consumer Opportunities Fund – Benefiting From China's Growing Consumption Power	0.70%	1.33%	2.03%	2.30% from 01-Apr-2019

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 & March 31, 2020 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
		2021		2020	
Bharti Airtel Ltd.	Equities	–	56,482,738	–	–
Balrampur Chini Mills Ltd.	Equities	–	470,907,573	–	594,575,759
Thomas Cook (India) Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the year ended March 31, 2021 & March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Foreign Securities				
– Appreciation	19,523,051	39.59	5,657,420	16.05
– Depreciation	–	–	–	–

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2020-2021 (excluding accretion of discount) is 29,28,018 and 59,03,037 respectively being 6.85% and 13.82% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2019-2020 (excluding accretion of discount) is 8,147,346 and 7,982,633 respectively being 22.51% and 22.05% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2021 & period ended March 31, 2020 are NIL.

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

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

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2020-2021	~0.00	0.22	72,306.23	57.63

~ 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, 2021

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2019-2020	0.01	0.73	115,776.00	75.53

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2021 & Period ended March 31, 2020.
 - 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020** :

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	1,836,133.738	466,563.344	725,096.746	1,577,600.336	10
Direct Plan - Growth Option	980,796.804	341,196.834	190,095.995	1,131,897.643	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	2,339,583.476	312,686.821	816,136.559	1,836,133.738	10
Direct Plan - Growth Option	450,119.614	632,004.762	101,327.572	980,796.804	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 244,572.037 & as on 31/03/2020 is 244,572.037

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income credited to the scheme of 36,266 Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/ NEFT. (2020 :- 21,456 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, 2021

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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

11 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 as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Global Consumer Opportunities Fund	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

13 Merger of HSBC Global Consumer Opportunities Fund with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund and introduction of provisions for creation of segregated portfolio.

The Board of Directors of HSBC Asset Management (India) Private limited and Board of Trustees of HSBC Mutual Fund, vide their resolutions dated January 21, 2021 and January , 2021 and January 22, 2021 respectively, approved the merger of HSBC Global Consumer Opportunities Fund (HGCOF) in to HSBC Asia Pacific (Ex Japan) Dividend Yield Fund (HAPDYF).

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Further, provisions for creation of segregated portfolio were introduced in the Scheme Information Document (SID) & Key Information Document (KIM) of HAPDYF.

SEBI has granted its no objection to the aforesaid proposals vide its email dated April 09, 2021. Accordingly, a notice was published in the newspapers on April 12, 2021 giving an option to the unit holders of HGCOF and HAPDYF to exit from the respective schemes during the period from April 13, 2021 to May, 12 2021 (both days inclusive) at the applicable NAV, without payment of exit load, if any and sale of units in the HGCOF was suspended effective from April 13, 2021. The effective date for the aforesaid changes/proposals was May 13, 2021. The HGCOF was merged into HAPDYF and ceased to exist from the effective date i.e. May13, 2021. The unit holders of HGCOF who have not exercised the exit option during the aforesaid exit window have been allotted units under the respective plans/options of HAPDYF at the NAV declared as on the close of business hours on May 13, 2021.

- 14 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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

Important Updates

Link your PAN to your Aadhaar Card

Please note as per regulatory requirement, PAN-Aadhaar linking is mandatory with effect from October 1, 2021. We request you to ensure PAN-Aadhaar linking is completed for all the holders in the folio (including guardian in case of minor) in order to avoid any disruption in financial and non-financial transactions.

To check the PAN-Aadhaar linking status of your PAN visit the following link:

<https://eportal.incometax.gov.in/iec/fooservices/##/pre-login/bl-link-aadhaar>

Useful Links for self service options

- **To Invest online or Update your Bank details or Nominee**
visit: <https://invest.assetmanagement.hsbc.co.in>
- **Use our 24 x 7 Chatbot - “ASKME” for any queries or service request**
visit: <https://invest.assetmanagement.hsbc.co.in>
- **To update your Personal details like PAN & Email ID**
visit: <https://new.camsonline.com>

SMS your request to HSBC Mutual Fund

- **Current Valuation** - SMS CAMS O VAL <Folio> to 56767
Example: CAMS O VAL 123456
- **Latest Account Statement via Email** - SMS CAMS O SOA <Folio> <password>* to 56767
Example: CAMS O SOA 123456 hsbc12

*The password length must be 6 characters, and must contain atleast 2 numbers and 2 alphabets.



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 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not need step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Ravi Menon', with a stylized flourish at the end.

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Global Equity Climate Change Fund of 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 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 Rs. 621.88 crores as on March 31, 2021. Around 35.74 % of the net assets were invested in HSBC Global Equity Climate Change Fund of Fund (overseas mutual fund), 64.26% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2021. The inception date of the fund was March 22, 2021.

@Note: The Performance of HSBC Global Equity Climate Change Fund of Fund has not been provided as the scheme has not completed six months from the date of inception as on March 31, 2021.

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained

Trustees' Report

For the year ended March 31, 2021 (Contd...)

74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and Fil Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive Fil and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net Fil flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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

a. Sponsor

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

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

Trustees' Report

For the year ended March 31, 2021 (Contd...)

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2021:

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
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	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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 December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Global Equity Climate Change Fund of Fund	NA~	Very High	0

NA~ - Scheme not in existence

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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, 2021 (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, 2021 (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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Scheme launched during the current financial year

Independent Auditors' Report

To the 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 financial statements of **HSBC Global Equity Climate Change Fund of Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the period ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net deficit for the period ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADW7269

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

		Rs. in Lakhs
		As at March 31, 2021 [#]
LIABILITIES		
1	Unit Capital	61,887.82
2	Reserves & Surplus	
2.1	Unit Premium Reserves	0.59
2.2	Unrealised Appreciation Reserve	511.98
2.3	Other Reserves	(153.42)
3	Loans & Borrowings	–
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income/Deposits	–
4.2	Other Current Liabilities & Provisions	48.29
TOTAL		62,295.26
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	–
1.1.2	Preference Shares	–
1.1.3	Equity Linked Debentures	–
1.1.4	Other Debentures & Bonds	–
1.1.5	Securitised Debt Securities	–
1.2	Securities Awaited Listing:	
1.2.1	Equity Shares	–
1.2.2	Preference Shares	–
1.2.3	Equity Linked Debentures	–
1.2.4	Other Debentures & Bonds	–
1.2.5	Securitised Debt Securities	–
1.3	Unlisted Securities:	
1.3.1	Equity Shares	–
1.3.2	Preference Shares	–
1.3.3	Equity Linked Debentures	–
1.3.4	Other Debentures & Bonds	–
1.3.5	Securitised Debt Securities	–
1.4	Government Securities	–
1.5	Treasury Bills	–
1.6	Commercial Paper	–
1.7	Certificate of Deposits	–
1.8	Bill Rediscounting	–
1.9	Units of Domestic Mutual Fund	–
1.10	Foreign Securities	22,229.25
Total Investments		22,229.25
2	Deposits	–
3	Other Current Assets	
3.1	Cash & Bank Balance	56.76
3.2	TREPS / Reverse Repo Lending	40,005.48
3.3	Others	3.77
4	Deferred Revenue Expenditure (to the extent not written off)	–
TOTAL		62,295.26

[#] Scheme launched during the current financial year

Notes to Accounts - Annexure I

Abridged Revenue Account for the period ended March 31, 2021

Rs. in Lakhs

		Current period ended March 31, 2021 [#]
1	INCOME	
1.1	Dividend	—
1.2	Interest	90.38
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	(219.48)
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	—
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(0.73)
1.6	Realised Gains / (Losses) on Derivative Transactions	—
1.7	Other Income	0.18
	(A)	(129.65)
2	EXPENSES	
2.1	Investment Management Fees	9.06
2.2	GST on Investment Management Fees	1.63
2.3	Transfer Agents Fees and Expenses	1.63
2.4	Custodian Fees	0.38
2.5	Trusteeship Fees	—
2.6	Commission to Agents	10.11
2.7	Marketing & Distribution Expenses	—
2.8	Audit Fees	0.20
2.9	Investor Education Expenses	0.34
2.10	Interest on Borrowing	—
2.11	Other Operating Expenses	0.31
	(B)	23.66
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)
		(153.31)
4	Change in Unrealised Depreciation in Value of Investments	(D)
		—
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)
		(153.31)
6	Change in Unrealised Appreciation in Value of Investments	(F)
		511.98
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)
		358.67
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(511.98)
7.3	Add / (Less) : Equalisation	(0.11)
7.4	Transfer from Reserve Fund	—
7.5	Transfer from Unit Premium Reserve	—
8	Total	(153.42)
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	(153.42)

[#] Scheme launched during the current financial year

Notes to Accounts - Annexure I

Key Statistics for the period ended March 31, 2021

Current
period ended
March 31, 2021[#]

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	10.0580
Regular Plan IDCW Option	10.0580
Direct Plan - Growth Option	10.0601
Direct Plan - IDCW Option	10.0601

Low

Regular Plan Growth Option	10.0209
Regular Plan IDCW Option	10.0209
Direct Plan - Growth Option	10.0229
Direct Plan - IDCW Option	10.0229

End

Regular Plan Growth Option	10.0580
Regular Plan IDCW Option	10.0580
Direct Plan - Growth Option	10.0601
Direct Plan - IDCW Option	10.0601

2. Closing Assets Under Management (Rs. in Lakhs)

End	62,189
Average (AAuM) ¹	61,787

3. Gross income as % of AAuM² (Annualised) (7.66%)

4. Expense Ratio:

a. Total Expense as % of AAuM (including GST on Management fees) (planwise)

Regular Plan	1.40%
Direct Plan	0.62%

b. Management Fee as % of AAuM (planwise)

Regular Plan	0.54%
Direct Plan	0.39%

5. Net Income as a percentage of AAuM³ (Annualised) (9.06%)

6. Portfolio turnover ratio⁴ —

7. Total Dividend per unit distributed during the year (planwise)

Retail

Regular Plan IDCW Option	—
Direct Plan - IDCW Option	—

Key Statistics for the period ended March 31, 2021 (Contd...)

		Current period ended March 31, 2021 [#]
Corporate		
Regular Plan IDCW Option		-
Direct Plan - IDCW Option		-
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan Growth Option		N.A
Direct Plan - Growth Option		N.A
Benchmark		
MSCI AC World Index		N.A
b. Since Inception		
Scheme		
Regular Plan Growth Option		0.58% ₹₹
Direct Plan - Growth Option		0.60% ₹₹
Benchmark		
MSCI AC World Index		1.06% ₹₹

₹₹ Since scheme has not completed one year since inception scheme & benchmark returns are absolute returns

¹ AAuM = Average daily net assets

² Gross income = amount against (A) in the Revenue account i.e. Income

³ Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the year

⁴ Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

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
	2020-21			
HSBC Global Equity Climate Change FOF	0.85%	1.34%	2.19%	2.30% from 01-Apr-2019

[#] Scheme launched during the current financial year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021#

1 Investments:

1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.

1.2. Open Positions of derivatives as of year ended March 31, 2021 is NIL

1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes
			2021
Bharti Airtel Ltd.	Equities	–	56,482,738
Balrampur Chini Mills Ltd.	Equities	–	470,907,573
Thomas Cook (India) Ltd.	Equities	–	172,035,228

1.4. Open positions of Securities Borrowed and / or Lent by the Scheme as of the year ended March 31, 2021 is NIL.

1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2021 is NIL.

1.6. Aggregate Unrealised Gain / Loss as at the end of the financial period and percentage to net assets:

Security Category	Amount (Rs.)	Percentage to Net Assets
	2021	
Foreign Securities		
– Appreciation	51,198,300	0.82
– Depreciation	–	–

1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2020-2021 (excluding accretion of discount) is 21,71,727,000 and Nil respectively being 1282.93% and 0% of the average daily net assets.

1.8. Non-Traded securities in the portfolios as at March 31, 2021 is NIL.

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

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

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

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of Investment Manager	2020-2021	582.38	94.07	–	–

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL. (Previous year also NIL).

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

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021[#]

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil.
- (ii) Devolvement - Nil.
- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil.
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil.
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2021.
- 4 Unit Capital movement during the year ended March 31, 2021^{**} :

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	–	608,388,586.376	205,989.700	608,182,596.676	10
Regular Plan IDCW Option	–	4,243,535.050	–	4,243,535.050	10
Direct Plan – Growth Option	–	6,392,859.648	1,049.948	6,391,809.700	10
Direct Plan IDCW Option	–	60,297.387	–	60,297.387	10

^{**} Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 499,975.001.

- 5 No contingent liabilities for the year ended March 31, 2021.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income credited to the scheme of 17,649 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021
	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40
Add: Accrual during FY 2020-21	195.77
Less: Transferred to AMFI *	89.04
Less: Payable to AMFI (March 2021 accrual) *	8.84
Add: Investment Income FY 2020-21	11.94
Less: Spent during FY 2020-21	43.73
Closing Balance as on March 31, 2021	373.49

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

- 9 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC

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

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021#

Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 10 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 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31, 2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
HSBC Global Equity Climate Change FOF	NA~	Very High	0

NA~ - Scheme not in existence

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 12 As these are the first financial statements of the scheme since the date of launch, there are no prior period comparatives.
- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Scheme launched during the current financial year.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



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 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Managed Solutions (HMS)

(An open ended fund of fund scheme investing in a basket of equity, debt, Gold and other Exchange Traded Funds)

HMS seeks to provide long term total return primarily by seeking capital appreciation through an active asset allocation with diversification commensurate with the risk profile of investments by investing predominantly in units of equity mutual funds as well as in a basket of debt mutual funds, gold exchange traded funds (ETFs) and other ETFs, offshore mutual funds and money market instruments.

The Scheme has three plans – Conservative Plan, Growth Plan and the Moderate Plan. The plans under the Scheme will invest predominantly in schemes of HSBC Mutual Fund, units of third party domestic mutual funds, units of offshore equity oriented funds managed by HSBC Global Asset Management, gold ETFs and other ETFs of third parties until such time that the Fund doesn't have such scheme offerings.

The net assets of HMS – Conservative Plan amounted to Rs. 49.70 crores as at March 31, 2021 as compared to Rs. 114.91 crores as at March 31, 2020. Around 99.51% of the net assets was invested in mutual fund schemes, (0.49% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2021. The net assets of HMS – Growth Plan amounted to Rs. 40.29 crores as at March 31, 2021 as compared to Rs. 51.15 crores as at March 31, 2020. Around 99.54% of the net assets were invested in Mutual fund schemes, 0.46% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2021. The net assets of HMS – Moderate Plan amounted to Rs. 68.72 crores as at March 31, 2021 as compared to Rs. 93.46 crores as at March 31, 2020. Around 99.45% of the net assets were invested in mutual fund schemes, 0.55% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2021.

The performance of HMS – Growth Plan is benchmarked against Composite Index constituting 80% of BSE 200 Index and 20% of CRISIL Composite Bond Index, while the performance of HMS – Moderate Plan is benchmarked against CRISIL Balanced Fund Index. The performance of HMS – Conservative Plan is benchmarked against Composite Index constituting of 90% into CRISIL Composite Bond Index and 10% of BSE 200 Index.

Underperformance of the schemes particularly Conservative and moderate is driven by the a) DHFL exposure in the short duration fund which is visible in the 1 year returns. As SDF had DHFL which was written off in May 2020 and subsequently sold in July 2020 and therefore the impact is visible in the one-year performance and not in shorter tenors. In addition, the duration funds have underperformed the benchmark during the last quarter as heavy borrowing announcement in the budget followed by the onset of the second wave added to nervousness in the market. Performs of equity funds have however offset the underperformance to some extent.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 30 April 2014	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Managed Solutions India - Growth	59.75	9.72	12.61	12.62
Customised Benchmark Index Fund (Scheme Benchmark)*	64.59	13.17	14.59	13.90
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	13.43
CRISIL 10 Year Gilt Index (Standard Benchmark)	3.60	8.24	7.17	8.32
10,000, if invested in HMSG, would have become	15,975	13,222	18,114	22,769
10,000, if invested in Customised Benchmark Index, would have become	16,459	14,514	19,765	24,622
10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	23,927
10,000, if invested in CRISIL 10 Year Gilt Index, would have become	10,360	12,692	14,140	17,390

*Composite index of S&P BSE 200 TRI (80%) and CRISIL Composite Bond Fund Index (20%).

Date of Inception : 30 April 2014	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Managed Solutions India - Moderate – Growth	47.19	9.16	11.49	11.55
CRISIL Hybrid 35+65 - Aggressive Index (Scheme Benchmark)	49.75	12.88	13.61	13.22
Nifty 50 TRI (Standard Benchmark)	72.54	14.58	15.12	13.43
CRISIL 10 Year Gilt Index (Standard Benchmark)	3.60	8.24	7.17	8.32
10,000, if invested in HMSG, would have become	14,719	13,020	17,231	21,313
10,000, if invested in CRISIL Hybrid 35+65 would have become	14,975	14,402	18,934	23,622
10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	23,927
10,000, if invested in CRISIL 10 Year Gilt Index, would have become	10,360	12,692	14,140	17,390

Date of Inception : 30 April 2014	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Managed Solutions India - Conservative – Growth	9.66	6.32	6.78	7.70
Customised Benchmark Index Fund (Scheme Benchmark)*	15.87	9.78	9.68	10.16
Nifty 50 (Standard Benchmark)	72.54	14.58	15.12	13.43
CRISIL 10 Year Gilt Index (Standard Benchmark)	3.60	8.24	7.17	8.32
10,000, if invested in HMSC, would have become	10,966	12,026	13,884	16,712

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 30 April 2014	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
10,000, if invested in Customised Benchmark Index, would have become	11,587	13,244	15,876	19,541
10,000, if invested in Nifty 50 TRI, would have become	17,254	15,065	20,227	23,927
10,000, if invested in CRISIL 10 Year Gilt Index, would have become	10,360	12,692	14,140	17,390

*Composite index of CRISIL Composite Bond Fund Index (90%) and S&P BSE200 TRI (10%).

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated

Trustees' Report

For the year ended March 31, 2021 (Contd...)

businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid –Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path

Trustees' Report

For the year ended March 31, 2021 (Contd...)

is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a dovetail. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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

Trustees' Report

For the year ended March 31, 2021 (Contd...)

a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

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, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Managed Solutions India - Growth Fund	Nil	Nil	81,292.95	1
HSBC Managed Solutions India - Moderate Fund	Nil	Nil	59,247.00	1

Trustees' Report

For the year ended March 31, 2021 (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 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434 /1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

- c) 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 2021

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 2021 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 December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Managed Solutions India - Conservative	Moderately High	Moderately High	0
HSBC Managed Solutions India - Growth	Very High	Very High	0
HSBC Managed Solutions India - Moderate	Very High	High	1

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
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.

13. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Managed Solutions India - Growth

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Managed Solutions India - Growth** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADY3444

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Managed Solutions India - Moderate Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Managed Solutions India - Moderate** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADZ6270

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Managed Solutions India - Conservative Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Managed Solutions India - Conservative** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

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

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Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
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- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADX5825

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

HSBC MANAGED SOLUTIONS INDIA – GROWTH			
		As at March 31, 2021	As at March 31, 2020
LIABILITIES			
1	Unit Capital	1,768.61	3,557.30
2	Reserves & Surplus		
2.1	Unit Premium Reserves	(1,231.15)	(1,221.56)
2.2	Unrealised Appreciation Reserve	1,619.69	432.71
2.3	Other Reserves	1,872.51	2,310.53
3	Loans & Borrowings	–	–
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	–	–
4.2	Other Current Liabilities & Provisions	17.22	152.48
	TOTAL	4,046.88	5,231.46
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	–	–
1.5	Treasury Bills	–	–
1.6	Commercial Paper	–	–
1.7	Certificate of Deposits	–	–
1.8	Bill Rediscounting	–	–
1.9	Units of Domestic Mutual Fund	4,010.97	5,050.71
1.10	Foreign Securities	–	–
	Total Investments	4,010.97	5,050.71
2	Deposits	1.53	1.50
3	Other Current Assets		
3.1	Cash & Bank Balance	0.03	0.06
3.2	TREPS / Reverse Repo Lending	33.51	103.38
3.3	Others	0.84	75.81
4	Deferred Revenue Expenditure (to the extent not written off)	–	–
	TOTAL	4,046.88	5,231.46

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC MANAGED SOLUTIONS INDIA – GROWTH	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	2.08	4.81
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	739.24	1,119.05
1.6	Realised Gains / (Losses) on Derivative Transactions	–	–
1.7	Other Income	0.19	0.63
	(A)	741.51	1,124.49
2	EXPENSES		
2.1	Investment Management Fees	2.77	6.41
2.2	GST on Investment Management Fees	0.50	1.15
2.3	Transfer Agents Fees and Expenses	1.98	4.78
2.4	Custodian Fees	1.62	1.64
2.5	Trusteeship Fees	0.13	0.25
2.6	Commission to Agents	11.66	24.18
2.7	Marketing & Distribution Expenses	0.07	0.11
2.8	Audit Fees	0.20	0.38
2.9	Investor Education Expenses	0.81	1.69
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	0.93	1.83
	(B)	20.67	42.42
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B)	720.84
4	Change in Unrealised Depreciation in Value of Investments	(D)	–
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D)	720.84
6	Change in Unrealised Appreciation in Value of Investments	(F)	1,186.98
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F)	1,907.82
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	–	2,494.15
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(1,186.98)	–
7.3	Add / (Less) : Equalisation	(1,158.86)	(1,098.03)
7.4	Transfer from Reserve Fund	2,310.53	2,326.49
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	1,872.51	2,310.53
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	1,872.51	2,310.53

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC MANAGED SOLUTIONS INDIA – GROWTH		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	14.2510	17.9487
Regular Plan IDCW Option	14.2510	17.9487
Direct Plan - Growth Option	14.4912	18.1888
Direct Plan - IDCW Option	14.4912	18.1888
High		
Regular Plan Growth Option	23.5012	18.9716
Regular Plan IDCW Option	23.5012	18.9716
Direct Plan - Growth Option	23.9725	19.2819
Direct Plan - IDCW Option	23.9725	19.2819
Low		
Regular Plan Growth Option	13.6945	13.0740
Regular Plan IDCW Option	13.6945	13.0740
Direct Plan - Growth Option	13.9257	13.2933
Direct Plan - IDCW Option	13.9257	13.2933
End		
Regular Plan Growth Option	22.7661	14.2510
Regular Plan IDCW Option	22.7661	14.2510
Direct Plan - Growth Option	23.2324	14.4912
Direct Plan - IDCW Option	23.2324	14.4912
2. Closing Assets Under Management (Rs. in Lakhs)		
End	4,030	5,115
Average (AAuM) ¹	4,030	8,469
3. Gross income as % of AAuM ²	18.40%	13.28%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	0.53%	0.53%
Direct Plan	0.17%	0.19%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.07%	0.08%
Direct Plan	0.03%	0.05%
5. Net Income as a percentage of AAuM ³	17.89%	12.78%
6. Portfolio turnover ratio ⁴	0.12	0.06
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, 2021 (Contd...)

HSBC MANAGED SOLUTIONS INDIA – GROWTH			
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020	
Corporate			
Regular Plan IDCW Option	–	–	
Direct Plan - IDCW Option	–	–	
8. Returns (%):			
a. Last One Period			
Scheme			
Regular Plan Growth Option	59.7500	(20.4600)	
Direct Plan - Growth Option	60.3200	(20.1800)	
Benchmark			
Composite Index constituting 80% of BSE 200 Index and 20% of CRISIL Composite Bond Index	64.5900	(20.7100)	
b. Since Inception			
Scheme			
Regular Plan Growth Option	12.6200	6.1600	
Direct Plan - Growth Option	12.9500	6.4600	
Benchmark			
Composite Index constituting 80% of BSE 200 Index and 20% of CRISIL Composite Bond Index	13.9000	7.0300	

1. AAuM = Average daily net assets
2. Gross income = amount against (A) in the Revenue account i.e. Income
3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the 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
	2020-21			
HSBC Managed Solutions India-Growth	1.31%	0.53%	1.84%	2.05% from 01-April-2019
	2019-20			
HSBC Managed Solutions India-Growth	1.31%	0.50%	1.81%	2.05% from 01-April-2019

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

HSBC MANAGED SOLUTIONS INDIA – GROWTH

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 & as on March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the Scheme as of the year ended March 31, 2021 & March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial period and percentage to net assets:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Units in Domestic Mutual Fund				
– Appreciation	161,976,055	40.20	59,292,635	11.59
– Depreciation	7,068	~0.00	16,021,269	3.13

~ 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 2020-2021 (excluding accretion of discount) is Rs. 48,900,000 and Rs. 334,497,180 respectively being 12.13% and 83.01% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2019-2020 (excluding accretion of discount) is Rs. 47,500,000 and 423,358,515 respectively being 5.61% and 49.99% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2021 & March 31, 2020 are NIL.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	15.08	17.90	16,269,153	29.43

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	0.80	53.78	2,020,165	95.76

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2021 & March 31, 2020.
- 4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	29,097,784.817	481,880.166	13,245,452.586	16,334,212.397	10
Regular Plan IDCW Option	2,528,385.989	24,094.311	1,892,756.922	659,723.378	10
Direct Plan - Growth Option	3,939,269.831	27,603.164	3,283,012.541	683,860.454	10
Direct Plan - IDCW Option	7,520.127	1,068.924	273.018	8,316.033	10

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	49,174,038.445	261,165.550	20,337,419.178	29,097,784.817	10
Regular Plan IDCW Option	3,350,429.861	223,774.920	1,045,818.792	2,528,385.989	10
Direct Plan - Growth Option	3,955,257.296	28,453.112	44,440.577	3,939,269.831	10
Direct Plan - IDCW Option	7,650.859	1,143.352	1,274.084	7,520.127	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 377,569.065 & as on 31/03/2020 is 377,569.065

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income represents exit load credited to the scheme and Penal Interest received from Bank towards delay of RTGS/NEFT is Rs. 19,310. (2020: 63,169/- 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*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 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 11 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 as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Managed Solutions India - Growth	Very High	Very High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

HSBC MANAGED SOLUTIONS INDIA – MODERATE

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	3,221.82	6,454.48
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(1,889.67)	(1,573.42)
2.2 Unrealised Appreciation Reserve	2,605.66	1,032.63
2.3 Other Reserves	2,930.99	3,432.28
3 Loans & Borrowings	–	–
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	–	–
4.2 Other Current Liabilities & Provisions	24.37	343.43
TOTAL	6,893.17	9,689.40
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	–	–
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	6,834.48	9,306.03
1.10 Foreign Securities	–	–
Total Investments	6,834.48	9,306.03
2 Deposits	1.68	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	0.03	0.15
3.2 TREPS/Reverse Repo Lending	56.37	351.71
3.3 Others	0.61	30.01
4 Deferred Revenue Expenditure (to the extent not written off)	–	–
TOTAL	6,893.17	9,689.40

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC MANAGED SOLUTIONS INDIA – MODERATE	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	3.42	8.52
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	1,589.34	1,850.10
1.6	Realised Gains/(Losses) on Derivative Transactions	–	–
1.7	Other Income	0.72	0.03
	(A)	1,593.48	1,858.65
2	EXPENSES		
2.1	Investment Management Fees	9.36	17.30
2.2	GST on Investment Management Fees	1.68	3.11
2.3	Transfer Agents Fees and Expenses	3.84	7.96
2.4	Custodian Fees	1.64	1.67
2.5	Trusteeship Fees	0.25	0.40
2.6	Commission to Agents	37.20	67.63
2.7	Marketing & Distribution Expenses	0.14	0.17
2.8	Audit Fees	0.34	0.71
2.9	Investor Education Expenses	1.56	2.81
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	1.53	2.80
	(B)	57.54	104.56
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR	(C = A - B)	1,535.94
4	Change in Unrealised Depreciation in Value of Investments	(D)	–
5	NET GAINS/(LOSSES) FOR THE YEAR	(E = C + D)	1,535.94
6	Change in Unrealised Appreciation in Value of Investments	(F)	1,573.03
7	NET SURPLUS/(DEFICIT) FOR THE YEAR	(G = E + F)	3,108.97
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	–	3,580.88
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(1,573.03)	–
7.3	Add / (Less) : Equalisation	(2,037.23)	(1,630.98)
7.4	Transfer from Reserve Fund	3,432.28	3,309.17
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	2,930.99	3,432.28
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	2,930.99	3,432.28

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC MANAGED SOLUTIONS INDIA – MODERATE		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	14.4780	17.1410
Regular Plan IDCW Option	14.4780	17.1410
Direct Plan - Growth Option	14.7463	17.3532
Direct Plan - IDCW Option	9.2475	10.4244
High		
Regular Plan Growth Option	21.8718	18.0444
Regular Plan IDCW Option	21.8718	18.0444
Direct Plan - Growth Option	22.3936	18.3611
Direct Plan - IDCW Option	14.0391	10.7070
Low		
Regular Plan Growth Option	14.0151	13.4524
Regular Plan IDCW Option	14.0151	13.4524
Direct Plan - Growth Option	14.2757	13.6995
Direct Plan - IDCW Option	8.9523	8.5913
End		
Regular Plan Growth Option	21.3108	14.4780
Regular Plan IDCW Option	21.3108	14.4780
Direct Plan - Growth Option	21.8346	14.7463
Direct Plan - IDCW Option	13.6881	9.2475
2. Closing Assets Under Management (Rs. in Lakhs)		
End	6,873	9,346
Average (AAuM) ¹	7,799	14,035
3. Gross income as % of AAuM ²	20.43%	13.24%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	0.75%	0.75%
Direct Plan	0.16%	0.15%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.12%	0.12%
Direct Plan	0.03%	0.02%
5. Net Income as a percentage of AAuM ³	19.69%	12.50%
6. Portfolio turnover ratio ⁴	0.08	0.04
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, 2021 (Contd...)

		HSBC MANAGED SOLUTIONS INDIA – MODERATE	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
Regular Plan IDCW Option		–	–
Direct Plan - IDCW Option		–	–
8. Returns (%):			
a. Last One Year			
Scheme			
Regular Plan Growth Option		47.1900	(15.4200)
Direct Plan - Growth Option		48.0700	(14.9100)
Benchmark			
CRISIL Hybrid 35+65-Aggressive Index		49.7500	(12.8400)
b. Since Inception			
Scheme			
Regular Plan Growth Option		11.5500	6.4500
Direct Plan - Growth Option		11.9400	6.7800
Benchmark			
CRISIL Hybrid 35+65-Aggressive Index		13.2200	8.0000

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
2020-21				
HSBC Managed Solutions India-Moderate	1.18%	0.75%	1.93%	2.05% from 01-Apr-2019
2019-20				
HSBC Managed Solutions India-Moderate	1.19%	0.74%	1.93%	2.05% from 01-Apr-2019

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

HSBC MANAGED SOLUTIONS INDIA – MODERATE

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 & as on March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the year ended March 31, 2021 & March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Units in Domestic Mutual Fund				
– Appreciation	260,566,112	37.91	133,912,121	14.33
– Depreciation	–	–	30,649,236	3.28

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2020-2021 (excluding accretion of discount) is Rs. 64,100,000 and 623,495,270 respectively being 8.22% and 79.95% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2019-2020 (excluding accretion of discount) is Rs. 53,000,000 and 727,195,530 respectively being 3.78% and 51.81% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2021 & March 31, 2020 are NIL.

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

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

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	0.84	8.26	2,344,615.70	38.47

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	2.75	44.38	5,668,081.20	96.00

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also Nil).

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 & March 31, 2020.
- 4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	59,145,783.134	139,048.023	29,622,511.668	29,662,319.489	10
Regular Plan IDCW Option	4,858,175.838	56,515.627	2,980,152.507	1,934,538.958	10
Direct Plan - Growth Option	536,162.378	153,913.800	73,746.905	616,329.273	10
Direct Plan - IDCW Option	4,629.110	820.427	458.237	4,991.300	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	94,841,362.785	685,133.843	36,380,713.494	59,145,783.134	10
Regular Plan IDCW Option	8,288,076.255	260,059.057	3,689,959.474	4,858,175.838	10
Direct Plan - Growth Option	523,680.759	15,333.910	2,852.291	536,162.378	10
Direct Plan - IDCW Option	893.860	4,629.310	894.060	4,629.110	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 407,381.757 & as on 31/03/2020 is 407,381.757

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income represents exit load credited to the scheme and Penal Interest received from Bank towards delay of RTGS/NEFT is Rs. 72,418. (2020: 3,007/- 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*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 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 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 as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Managed Solutions India - Moderate	Very High	High	1

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE			
	As at March 31, 2021	As at March 31, 2020	
LIABILITIES			
1 Unit Capital	2,973.61	7,531.34	
2 Reserves & Surplus			
2.1 Unit Premium Reserves	(2,497.67)	(3,004.61)	
2.2 Unrealised Appreciation Reserve	1,624.17	3,021.92	
2.3 Other Reserves	2,870.51	3,936.00	
3 Loans & Borrowings	–	–	
4 Current Liabilities & Provisions			
4.1 Provision for Doubtful Income/Deposits	–	–	
4.2 Other Current Liabilities & Provisions	10.39	203.57	
TOTAL	4,981.01	11,688.22	
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	4,945.69	11,389.00	
1.10 Foreign Securities	–	–	
Total Investments	4,945.69	11,389.00	
2 Deposits	1.52	1.50	
3 Other Current Assets			
3.1 Cash & Bank Balance	0.03	0.03	
3.2 TREPS/Reverse Repo Lending	33.76	97.68	
3.3 Others	0.01	200.01	
4 Deferred Revenue Expenditure (to the extent not written off)	–	–	
TOTAL	4,981.01	11,688.22	

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	2.54	6.17
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	–	–
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	–	–
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	1,943.40	1,549.41
1.6	Realised Gains/(Losses) on Derivative Transactions	–	–
1.7	Other Income	1.44	1.28
	(A)	1,947.38	1,556.86
2	EXPENSES		
2.1	Investment Management Fees	15.14	34.51
2.2	GST on Investment Management Fees	2.72	6.21
2.3	Transfer Agents Fees and Expenses	2.73	8.33
2.4	Custodian Fees	1.63	1.68
2.5	Trusteeship Fees	0.18	0.42
2.6	Commission to Agents	29.10	68.67
2.7	Marketing & Distribution Expenses	0.10	0.17
2.8	Audit Fees	0.25	0.87
2.9	Investor Education Expenses	1.22	2.89
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	0.83	3.06
	(B)	53.90	126.81
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR	(C = A - B)	1,893.48
4	Change in Unrealised Depreciation in Value of Investments	(D)	–
5	NET GAINS/(LOSSES) FOR THE YEAR	(E = C + D)	1,893.48
6	Change in Unrealised Appreciation in Value of Investments	(F)	(1,397.74)
7	NET SURPLUS/(DEFICIT) FOR THE YEAR	(G = E + F)	495.74
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	1,397.74	1,072.01
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	–	–
7.3	Add/(Less) : Equalisation	(2,958.97)	(1,768.72)
7.4	Transfer from Reserve Fund	3,936.00	4,274.67
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	2,870.51	3,936.00
9	Dividend Appropriation		
9.1	Income Distributed during the Year	–	–
9.2	Tax on Income Distributed during the Year	–	–
10	Retained Surplus/(Deficit) Carried Forward to Balance Sheet	2,870.51	3,936.00

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	15.2368	14.8717
Regular Plan IDCW Option	15.2368	14.8717
Direct Plan - Growth Option	15.5363	15.0559
High		
Regular Plan Growth Option	16.8224	15.6127
Regular Plan IDCW Option	16.8224	15.6127
Direct Plan - Growth Option	17.2525	15.9035
Direct Plan - IDCW Option	17.2525	–
Low		
Regular Plan Growth Option	14.7822	14.5537
Regular Plan IDCW Option	14.7822	14.5537
Direct Plan - Growth Option	15.0853	14.7519
Direct Plan - IDCW Option	16.8407	–
End		
Regular Plan Growth Option	16.7087	15.2368
Regular Plan IDCW Option	16.7087	15.2368
Direct Plan - Growth Option	17.1655	15.5363
2. Closing Assets Under Management (Rs. in Lakhs)		
End	4,971	11,491
Average (AAuM) ¹	6,083	14,447
3. Gross income as % of AAuM ²	32.01%	10.78%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan (Continue)	0.90%	0.90%
Direct Plan	0.16%	0.19%
b. Management Fee as % of AAuM (planwise)		
Regular Plan (Continue)	0.26%	0.25%
Direct Plan	0.06%	0.06%
5. Net Income as a percentage of AAuM ³	31.13%	9.90%
6. Portfolio turnover ratio ⁴	0.10	0.04
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, 2021 (Contd...)

HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE			
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
Regular Plan IDCW Option		–	–
Direct Plan - IDCW Option		–	–
8. Returns (%):			
a. Last One Period			
Scheme			
Regular Plan Growth Option		9.6600	2.4300
Direct Plan - Growth Option		10.4900	3.1600
Benchmark			
Composite Index constituting of 90% into CRISIL Composite Bond Index and 10% of BSE 200 Index		15.8700	6.1600
b. Since Inception			
Scheme			
Regular Plan Growth Option		7.7000	7.3700
Direct Plan - Growth Option		8.1200	7.7200
Benchmark			
Composite Index constituting of 90% into CRISIL Composite Bond Index and 10% of BSE 200 Index		10.1600	9.2300

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
	2020-21			
HSBC Managed Solutions India - Conservative	0.75%	0.90%	1.65%	2.05% from 01-Apr-2019
	2019-20			
HSBC Managed Solutions India - Conservative	0.77%	0.88%	1.65%	2.05% from 01-Apr-2019

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

HSBC MANAGED SOLUTIONS INDIA – CONSERVATIVE

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 & as on March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and/or Lent by the Scheme as of the year ended March 31, 2021 & March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial period and percentage to net assets:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Units in Domestic Mutual Fund				
– Appreciation	163,470,415	32.89	303,244,666	26.39
– Depreciation	–	–	–	–

- 1.7 The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2020-2021 (excluding accretion of discount) is Rs. 60,400,000 and Rs. 779,299,037 respectively being 9.93% and 128.10% of the average daily net assets.

The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial period 2019-2020 (excluding accretion of discount) is Rs. 540,00,000 and 659,913,709 respectively being 3.74% and 45.68% of the average daily net assets.

- 1.8. Non-Traded securities in the portfolios as at March 31, 2021 & March 31, 2020 are NIL.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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

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

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	11.60	30.28	20,219,398	62.45

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	2.72	82.99	5,901,564	99.93

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL. (Previous year also NIL)

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 & March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 & March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	64,895,689.574	932,240.952	38,681,350.844	27,146,579.682	10
Regular Plan IDCW Option	7,320,894.636	23,495.430	5,214,817.614	2,129,572.452	10
Direct Plan - Growth Option	3,096,818.720	15,158.850	2,652,037.668	459,939.902	10
Direct Plan - IDCW Option	–	608.072	608.072	–	10

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan Growth Option	100,776,578.260	1,176,586.434	37,057,475.120	64,895,689.574	10
Regular Plan IDCW Option	11,658,010.804	121,150.010	4,458,266.178	7,320,894.636	10
Direct Plan - Growth Option	3,257,090.614	2,819.250	163,091.144	3,096,818.720	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 434,786.389 & as on 31/03/2020 is 434,786.389

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income represents exit load credited to the scheme and Penal Interest received from Bank towards delay of RTGS/NEFT is Rs. 143,985. (2020: 127,547/- 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 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 as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
HSBC Managed Solutions India - Conservative	Moderately High	Moderately High	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Flexi Debt Fund

An open ended dynamic debt scheme investing across duration

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not need step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Flexi Debt Fund (HFDF)

(An open ended dynamic debt scheme investing across duration)

HFDF seeks to deliver returns in the form of interest income and capital gains, along with high liquidity, commensurate with the current view on the markets and the interest rate cycle, through active investment in debt and money market instruments. However, there is no assurance that the investment objective of the Scheme will be achieved.

The net assets of HFDF amounted to Rs. 61.66 crores as at March 31, 2021 as compared to Rs. 101.36 crores as at March 31, 2020. Around 87.55% of the net assets was invested in debt and money market instruments and 12.45% comprised of reverse repos/TREPS and net current assets as at March 31, 2021.

Bond markets were volatile over the financial year. In the first quarter of the financial year, Economic slowdown due to Pandemic Along with stable crude prices and very low inflation, including core inflation, led to RBI flushing markets with Liquidity. This resulted in GOI 10-year benchmark security moving to a peak of 6.50 at the beginning of the year hit a low of 5.75 in May-August 2020. In August 2020, Government announced extra market borrowings to support growth which led to sharp spike in yields when RBI jumped in with Open Market Operations (OMOs) to support market leading to recovery. In last quarter, Government announced higher than expected market borrowing in Budget leading to rates hardening once again. 10 year closed at 6.17 levels in March 2021 vs 6.14 levels in March 2020.

HFDF has underperformed its scheme's benchmark for 1 year as fund was overweight index during first half of the year, however went underweight due to very high volatility post extra borrowing numbers However markets recovered due to RBI Support leading to our underperformance. Also our exposure to more than 10 year maturing securities underperformed as Yield curve steepened. The fund was overweight index when yields hardened between 2017 and 2018 impacting negatively on 3 and 5-year performance. Long term performance is expected to recover over the period of time.

Date of Inception : 5 October 2007	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Flexi Debt Fund – Growth	4.63	7.22	6.72	7.95
CRISIL Composite Bond Fund Index (Scheme Benchmark)	7.69	8.97	8.61	8.01
CRISIL 10 Year Gilt Index (Standard Benchmark)	3.60	8.24	7.17	6.94
Rs. 10,000, if invested in HFDF, would have become	10,463	12,336	13,845	28,078
Rs. 10,000, if invested in CRISIL Composite Bond Fund Index, would have become	10,769	12,952	15,116	28,290

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 5 October 2007	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
Rs. 10,000, if invested in CRISIL 10 Year Gilt Index, would have become	10,360	12,692	14,140	24,733

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclical, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

Trustees' Report

For the year ended March 31, 2021 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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

a. Sponsor

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

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

b. HSBC Mutual Fund

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

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Flexi Debt Fund	24,739.30	14	Nil	Nil

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centers in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

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

The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 or log on to our website at www.assetmanagement.hsbc.co.in.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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 2021

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 2021 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 December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Flexi Debt Fund	Moderate	Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
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, 2021 (Contd...)

13. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Flexi Debt Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Flexi Debt Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADB4360

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	2,341.58	3,935.91
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(376.15)	(210.10)
2.2 Unrealised Appreciation Reserve	—	50.09
2.3 Other Reserves	4,210.89	6,379.38
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	24.46	26.21
TOTAL	6,200.78	10,181.49
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	—	—
1.1.2 Preference Shares	—	—
1.1.3 Equity Linked Debentures	—	—
1.1.4 Other Debentures & Bonds	493.00	2,336.16
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	4,904.40	6,334.27
1.5 Treasury Bills	—	—
1.6 Commercial Paper	—	—
1.7 Certificate of Deposits	—	909.66
1.8 Bill Rediscounting	—	—
1.9 Units of Domestic Mutual Fund	—	—
1.10 Foreign Securities	—	—
Total Investments	5,397.40	9,580.09
2 Deposits	3.42	30.29
3 Other Current Assets		
3.1 Cash & Bank Balance	0.21	0.15
3.2 TREPS/Reverse Repo Lending	707.62	467.92
3.3 Others	92.13	103.04
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	6,200.78	10,181.49

Notes to Accounts – Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	—	—
1.2	Interest	465.42	802.48
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	105.60	661.37
1.6	Realised Gains/(Losses) on Derivative Transactions	—	—
1.7	Other Income	0.01	—
	(A)	571.03	1,463.85
2	EXPENSES		
2.1	Investment Management Fees	58.72	89.88
2.2	GST on Investment Management Fees	10.57	16.18
2.3	Transfer Agents Fees and Expenses	2.68	4.24
2.4	Custodian Fees	0.11	0.31
2.5	Trusteeship Fees	0.10	0.25
2.6	Commission to Agents	38.08	50.95
2.7	Marketing & Distribution Expenses	0.33	0.21
2.8	Audit Fees	0.20	0.23
2.9	Investor Education Expenses	1.52	2.26
2.10	Interest on Borrowing	0.09	—
2.11	Other Operating Expenses	2.11	2.32
	(B)	114.51	166.83
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B)	456.52	1,297.02
4	Change in Unrealised Depreciation in Value of Investments	(D) (4.12)	(4.24)
5	NET GAINS/(LOSSES) FOR THE YEAR (E = C + D)	452.40	1,292.78
6	Change in Unrealised Appreciation in Value of Investments	(F) (50.09)	(114.24)
7	NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F)	402.31	1,178.54
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	50.09	114.24
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	—	—
7.3	Add/(Less) : Equalisation	(2,606.79)	(2,037.27)
7.4	Transfer from Reserve Fund	6,379.38	7,147.97
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	4,224.99	6,403.48
9	Dividend Appropriation		
9.1	Income Distributed during the Year	(14.10)	(17.34)
9.2	Tax on Income Distributed during the Year	—	(6.76)
10	Retained Surplus/(Deficit) Carried Forward to Balance Sheet	4,210.89	6,379.38

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Plan - Growth Option #	25.8709	23.4615
Regular Plan - Fortnightly IDCW Option #	—	—
Regular Plan - Monthly IDCW Option #	16.3586	14.8352
Regular Plan - Quarterly IDCW Option #	15.7832	14.3134
Regular Plan - Half Yearly IDCW Option #	18.2997	16.5962
Institutional Growth Option ^	26.8240	24.2675
Institutional Fortnightly IDCW Option ^	10.6154	10.6052
Institutional Monthly IDCW Option ^	10.6405	10.6188
Institutional Quarterly IDCW Option ^	13.4826	12.1976
Institutional Half Yearly IDCW Option ^	11.8324	11.4994
Direct Plan - Growth Option	28.3491	25.4499
Direct Plan - Monthly IDCW Option	10.3761	10.3116
Direct Plan - Quarterly IDCW Option	11.8830	11.4102
Direct Plan - Half Yearly IDCW Option	12.0032	10.9999
High		
Regular Plan - Growth Option #	27.4279	26.0776
Regular Plan - Fortnightly IDCW Option #	—	—
Regular Plan - Monthly IDCW Option #	17.3431	16.4893
Regular Plan - Quarterly IDCW Option #	16.7332	15.9093
Regular Plan - Half Yearly IDCW Option #	19.3998	18.4459
Institutional Growth Option ^	28.4921	27.0348
Institutional Fortnightly IDCW Option ^	10.7084	10.8596
Institutional Monthly IDCW Option ^	10.7750	10.8843
Institutional Quarterly IDCW Option ^	14.3210	13.5885
Institutional Half Yearly IDCW Option ^	12.3211	12.3366
Direct Plan - Growth Option	30.2930	28.5580
Direct Plan - Monthly IDCW Option	10.5675	10.6412
Direct Plan - Quarterly IDCW Option	12.2639	12.1654
Direct Plan - Half Yearly IDCW Option	12.5978	12.1318
Low		
Regular Plan - Growth Option #	25.5094	23.3008
Regular Plan - Fortnightly IDCW Option #	—	—
Regular Plan - Monthly IDCW Option #	16.1301	14.7336
Regular Plan - Quarterly IDCW Option #	15.5627	14.2154
Regular Plan - Half Yearly IDCW Option #	18.0441	16.4824
Institutional Growth Option ^	26.4505	24.1050
Institutional Fortnightly IDCW Option ^	10.3787	10.4134
Institutional Monthly IDCW Option ^	10.3707	10.3994
Institutional Quarterly IDCW Option ^	13.2948	12.1159
Institutional Half Yearly IDCW Option ^	11.6677	11.4224

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Direct Plan - Growth Option	27.9592	25.2908
Direct Plan - Monthly IDCW Option	10.1174	10.1385
Direct Plan - Quarterly IDCW Option	11.7195	11.3389
Direct Plan - Half Yearly IDCW Option	11.8211	10.9311
End		
Regular Plan - Growth Option #	27.0033	25.8709
Regular Plan - Fortnightly IDCW Option #	—	—
Regular Plan - Monthly IDCW Option #	17.0746	16.3586
Regular Plan - Quarterly IDCW Option #	16.4741	15.7832
Regular Plan - Half Yearly IDCW Option #	19.0990	18.2997
Institutional Growth Option ^	28.0668	26.8240
Institutional Fortnightly IDCW Option ^	10.4849	10.6154
Institutional Monthly IDCW Option ^	10.4768	10.6405
Institutional Quarterly IDCW Option ^	14.1072	13.4826
Institutional Half Yearly IDCW Option ^	11.6755	11.8324
Direct Plan - Growth Option	29.8957	28.3491
Direct Plan - Monthly IDCW Option	10.2256	10.3761
Direct Plan - Quarterly IDCW Option	11.8019	11.8830
Direct Plan - Half Yearly IDCW Option	—	12.0032
2. Closing Assets Under Management (Rs. in Lakhs)		
End	6,166	10,136
Average (AAuM) ¹	7,598	11,322
3. Gross income as % of AAuM ²	7.52%	12.93%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan - Growth Option #	1.98%	1.98%
Institutional Growth Option ^	1.74%	1.74%
Direct Plan - Growth Option	0.96%	0.97%
b. Management Fee as % of AAuM (planwise)		
Regular Plan - Growth Option #	0.76%	0.76%
Institutional Growth Option ^	0.80%	0.82%
Direct Plan - Growth Option	0.73%	0.75%
5. Net Income as a percentage of AAuM ³	6.01%	11.46%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Institutional Fortnightly IDCW Option ^	0.6128	0.7629
Institutional Monthly IDCW Option ^	0.6473	0.7541

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Institutional Quarterly IDCW Option ^	—	—
Institutional Half Yearly IDCW Option ^	0.7000	0.6122
Direct Plan - Monthly IDCW Option	0.7084	0.7612
Direct Plan - Quarterly IDCW Option	0.7200	0.5690
Direct Plan - Half Yearly IDCW Option	—	—
Corporate		
Institutional Fortnightly IDCW Option ^	0.6128	0.7064
Institutional Monthly IDCW Option ^	0.6473	0.6983
Institutional Quarterly IDCW Option ^	—	—
Institutional Half Yearly IDCW Option ^	0.7000	0.5670
Direct Plan - Monthly IDCW Option	0.7084	0.7049
Direct Plan - Quarterly IDCW Option	0.7200	0.5269
Direct Plan - Half Yearly IDCW Option	—	—
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Plan - Growth Option #	4.3800	10.2129
Institutional Growth Option ^	4.6300	10.4700
Direct Plan - Growth Option	5.4600	11.3300
Benchmark		
CRISIL Composite Bond Fund Index	7.6900	12.5700
b. Since Inception		
Scheme		
Regular Plan - Growth Option #	7.6400	7.9000
Institutional Growth Option ^	7.9500	8.2200
Direct Plan - Growth Option	7.8200	8.1500
Benchmark		
CRISIL Composite Bond Fund Index	8.0100	8.0400

Plans Discontinued for fresh subscription

^ Institutional plan is (Regular continue Plan) available for fresh subscription w.e.f. October 01, 2012.

1. AAUM=Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AUM for the year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Max Financial Services Ltd.	Equities	–	172,035,228	–	–
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759

- 1.4. Open positions of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	–	–	–	–
– Depreciation	699,850	0.11	423,850	0.04
Certificate of Deposit				
– Appreciation	–	–	1,282,755	0.13
– Depreciation	–	–	–	–
Government Securities				
– Appreciation	900,340	0.15	3,973,997	0.39
– Depreciation	1,036,240	0.17	247,398	0.02

- 1.7 The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-21 (excluding accretion of discount) are Rs. 4,035,692,560 and Rs. 4,459,512,414 respectively being 531.16% and 586.94% 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 2019-20 (excluding accretion of discount) are Rs. 4,850,889,273 and Rs. 5,201,668,090 respectively being 428.45% and 459.43% of the average daily net assets.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is as under :

Security Category	Fair Value (Rupees)	Percentage to Net Assets	Fair Value (Rupees)	Percentage to Net Assets
	2021		2020	
Debt Instruments	–	–	133,655,020	13.19%
Total	–	–	133,655,020	13.19%

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

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.

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

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

Name of Sponsor/AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	4.21	32.80	2,076,457	59.32

Name of Sponsor/AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	4.30	48.85	3,063,611	70.41

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL).

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

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

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous Year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of HSBC Flexi Debt Fund as March 31, 2021 & March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan - Growth Option	1,194,533.020	–	564,522.417	630,010.603	10
Regular Plan - Monthly IDCW Option	1,227,057.637	–	477,989.746	749,067.891	10
Regular Plan - Fortnightly IDCW Option	–	–	–	–	10
Regular Plan - Quarterly IDCW Option	69,566.638	–	19,715.894	49,850.744	10
Regular Plan - Half Yearly IDCW Option	1,675.319	–	–	1,675.319	10
Growth Option ****	22,660,999.105	3,491,867.228	13,279,452.750	12,873,413.583	10
Monthly IDCW Option ****	1,552,434.448	399,967.798	457,805.322	1,494,596.924	10
Fortnightly IDCW Option ****	704,316.901	40,171.427	18,558.932	725,929.396	10
Quarterly IDCW Option ****	293,320.544	72,434.561	140,356.806	225,398.299	10
Half Yearly IDCW Option ****	149,900.903	11,518.229	152,213.418	9,205.714	10
Direct Plan - Growth Option	11,487,012.909	515,365.006	5,354,308.724	6,648,069.191	10
Direct Plan - Fortnightly IDCW Option	–	–	–	–	10
Direct Plan - Quarterly IDCW Option	2,450.551	7,865.318	1,986.294	8,329.575	10
Direct Plan - Monthly IDCW Option	15,840.126	667.723	16,267.046	240.803	10
Direct Plan - Half Yearly IDCW Option	1.816	–	1.816	–	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021**

Description	2019-2020				Face Value per unit (Rupees)
	Opening Units	Subscription	Redemption	Closing Units	
Regular Plan - Growth Option	1,431,674.891	–	237,141.871	1,194,533.020	10
Regular Plan - Monthly IDCW Option	1,516,159.216	–	289,101.579	1,227,057.637	10
Regular Plan - Fortnightly IDCW Option	(0.054)	–	(0.054)	–	10
Regular Plan - Quarterly IDCW Option	173,246.287	–	103,679.649	69,566.638	10
Regular Plan - Half Yearly IDCW Option	1,675.319	–	–	1,675.319	10
Growth Option ****	26,693,160.654	2,254,431.790	6,286,593.339	22,660,999.105	10
Monthly IDCW Option ****	1,460,495.921	356,844.833	264,906.306	1,552,434.448	10
Fortnightly IDCW Option ****	896,316.276	578,142.857	770,142.232	704,316.901	10
Quarterly IDCW Option ****	2,341,625.767	355,329.621	2,403,634.844	293,320.544	10
Half Yearly IDCW Option ****	17,570.187	193,310.137	60,979.421	149,900.903	10
Direct Plan - Growth Option	20,595,703.818	222,780.904	9,331,471.813	11,487,012.909	10
Direct Plan - Fortnightly IDCW Option	–	–	–	–	10
Direct Plan - Quarterly IDCW Option	1,018.288	24,990.008	23,557.745	2,450.551	10
Direct Plan - Monthly IDCW Option	50,483.919	15,356.207	50,000.000	15,840.126	10
Direct Plan - Half Yearly IDCW Option	16,901.575	2,648.441	19,548.200	1.816	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 254,406.317 & as on 31/03/2020 is 254,406.317

**** Earlier known as Institutional Plan. # Plans Discontinued for fresh subscription.

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other Income for the year ended March 31, 2021 is Rs. 807/- (Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT) (2020: Rs. 6/- (Interest recd on printing & stationery bill paid by scheme instead off AMC -EXP)

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

8 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2016-17, 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*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 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 February 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assess and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter is scheduled on September 24, 2021.

11 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 12 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 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Flexi Debt Fund	Moderate	Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

14 Borrowings

Details of borrowings during the year:

Name of the Scheme	Date of Borrowing	Amount Borrowed (INR crores)	Rate of Interest	Date of Repayment	Source
HSBC Flexi Debt Fund	31-Jul-2020	9.05	3.12%	03-Aug-2020	Borrowing in TREPS Segment

As per Regulation 44(2) of SEBI (Mutual Funds) Regulations, 1996, mutual funds are permitted to borrow only to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of dividend etc. AMFI vide its Best Practice guidelines circular no. 71/2017-18 dated March 23, 2018 recommended that cost of borrowing made to manage redemptions to the extent of YTM/running yield of the fund as on previous day should be charged to the scheme and any excess cost over YTM/running yield of the previous day may be borne by the AMC. Accordingly AMC has borne Rs. 14400/-.

HSBC Mutual fund has adhered to the recommended practice from the date of the AMFI circular.

31-March-2020
Nil

- 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 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 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Debt Fund

An open ended medium to long term debt Scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 years to 7 years

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Debt Fund (HDF)

(An open ended medium to long term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 years to 7 years)

HDF seeks to provide reasonable income through a diversified portfolio of fixed income securities such that the Macaulay duration of the portfolio is between 4 years to 7 years. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HSBC Debt Fund amounted to Rs. 35.13 crores as at March 31, 2021 as compared to Rs. 36.22 crores as at March 31, 2020. Around 94.26% of the net assets was invested in debt and money market instruments and 5.74% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2021.

Bond markets were volatile over the financial year. In the first quarter of the financial year, Economic slowdown due to Pandemic Along with stable crude prices and very low inflation, including core inflation, led to RBI flushing markets with Liquidity. This resulted in GOI 10-year benchmark security moving to a peak of 6.50 at the beginning of the year hit a low of 5.75 in May-August 2020. In August 2020, Government announced extra market borrowings to support growth which led to sharp spike in yields when RBI jumped in with Open Market Operations (OMOs) to support market leading to recovery. In last quarter, Government announced higher than expected market borrowing in Budget leading to rates hardening once again. 10 year closed at 6.17 levels in March 2021 vs 6.14 levels in March 2020. HDF has underperformed its scheme's benchmark for 1 year as fund was overweight index during first half of the year, however went underweight due to very high volatility post extra borrowing numbers However markets recovered due to RBI Support leading to our underperformance. Also our exposure to more than 10 year maturing securities underperformed as Yield curve steepened. The fund was overweight index when yields hardened between 2017 and 2018 impacting negatively on 3 and 5-year performance. Long term performance is expected to recover over the period of time.

Date of Inception : 10 December 2002	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Debt Fund – Growth	4.39	7.30	6.52	6.95
CRISIL Composite Bond Fund Index (Scheme Benchmark)	7.69	8.97	8.61	7.11
CRISIL 10 Year Gilt Index (Standard Benchmark)	3.60	8.24	7.17	6.27
Rs. 10,000, if invested in HDF, would have become	10,439	12,363	13,716	34,240

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Date of Inception : 10 December 2002	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
Rs. 10,000, if invested in CRISIL Composite Bond Fund Index, would have become	10,769	12,952	15,116	35,190
Rs. 10,000, if invested in CRISIL 10 Year Gilt Index, would have become	10,360	12,692	14,140	30,464

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

Trustees' Report

For the year ended March 31, 2021 (Contd...)

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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, 2021 (Contd...)

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Debt Fund	680,906.04	1846	1,551,485.84	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 9 locations at its own offices - namely

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

- b) The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- c) Full Annual Report 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 2021

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 2021 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 December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Debt Fund	Moderate	Moderate	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non - compliance, if any
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, 2021 (Contd...)

13. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Debt Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Debt Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

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

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

The Scheme's management, the Board of Directors of HSSBC Mutual Fund (the 'Trustee') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations of the Scheme 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 (the 'Regulations') and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The management is 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;

Independent Auditors' Report (Contd...)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADC1824

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	1,134.14	1,233.18
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(577.94)	(567.58)
2.2 Unrealised Appreciation Reserve	—	22.14
2.3 Other Reserves	2,953.38	2,984.79
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	33.16	29.98
TOTAL	3,542.74	3,702.51
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	—	—
1.1.2 Preference Shares	—	—
1.1.3 Equity Linked Debentures	—	—
1.1.4 Other Debentures & Bonds	—	605.75
1.1.5 Securitised Debt Securities	—	—
1.2 Securities Awaited Listing:		
1.2.1 Equity Shares	—	—
1.2.2 Preference Shares	—	—
1.2.3 Equity Linked Debentures	—	—
1.2.4 Other Debentures & Bonds	—	—
1.2.5 Securitised Debt Securities	—	—
1.3 Unlisted Securities:		
1.3.1 Equity Shares	—	—
1.3.2 Preference Shares	—	—
1.3.3 Equity Linked Debentures	—	—
1.3.4 Other Debentures & Bonds	—	—
1.3.5 Securitised Debt Securities	—	—
1.4 Government Securities	3,311.74	2,215.07
1.5 Treasury Bills	—	—
1.6 Commercial Paper	—	—
1.7 Certificate of Deposits	—	335.14
1.8 Bill Rediscounting	—	—
1.9 Units of Domestic Mutual Fund	—	—
1.10 Foreign Securities	—	—
Total Investments	3,311.74	3,155.96
2 Deposits	1.65	10.63
3 Other Current Assets		
3.1 Cash & Bank Balance	0.64	0.33
3.2 TREPS/Reverse Repo Lending	146.78	471.84
3.3 Others	81.93	63.75
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	3,542.74	3,702.51

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	—	—
1.2	Interest	228.68	286.67
1.3	Realised Gain/(Loss) on Foreign Exchange Transactions	—	—
1.4	Realised Gains/(Losses) on Interscheme Sale of Investments	—	—
1.5	Realised Gains/(Losses) on External Sale/Redemption of Investments	72.91	226.44
1.6	Realised Gains/(Losses) on Derivative Transactions	—	—
1.7	Other Income	—	—
	(A)	301.59	513.11
2	EXPENSES		
2.1	Investment Management Fees	40.35	45.31
2.2	GST on Investment Management Fees	7.26	8.16
2.3	Transfer Agents Fees and Expenses	1.32	1.56
2.4	Custodian Fees	0.02	0.08
2.5	Trusteeship Fees	0.05	0.09
2.6	Commission to Agents	9.36	8.68
2.7	Marketing & Distribution Expenses	0.17	0.09
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.73	0.83
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	0.66	0.72
	(B)	60.12	65.72
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B)	241.47	447.39
4	Change in Unrealised Depreciation in Value of Investments (Refer Note 11 (I, II, III))	(46.98)	(1.38)
	(D)		
5	NET GAINS/(LOSSES) FOR THE YEAR (E = C + D)	194.49	446.01
6	Change in Unrealised Appreciation in Value of Investments	(22.14)	(17.82)
	(F)		
7	NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F)	172.35	428.19
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	22.14	17.82
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	—	—
7.3	Add/(Less) : Equalisation	(211.44)	(461.51)
7.4	Transfer from Reserve Fund	2,984.79	3,018.00
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	2,967.84	3,002.50
9	Dividend Appropriation		
9.1	Income Distributed during the Year	(14.46)	(12.74)
9.2	Tax on Income Distributed during the Year	—	(4.97)
10	Retained Surplus/(Deficit) Carried Forward to Balance Sheet	2,953.38	2,984.79

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Growth Option	32.8091	29.6548
Regular Quarterly IDCW Option	11.2670	10.9272
Direct Plan - Growth Option	34.7199	31.1265
Direct Plan - Quarterly IDCW Option	11.2876	—
High		
Regular Growth Option	35.0207	33.0496
Regular Quarterly IDCW Option	11.6107	11.5446
Direct Plan - Growth Option	37.2989	34.9565
Direct Plan - Quarterly IDCW Option	11.6814	11.5697
Low		
Regular Growth Option	32.3485	29.4579
Regular Quarterly IDCW Option	11.0689	10.8546
Direct Plan - Growth Option	34.2389	30.9339
Direct Plan - Quarterly IDCW Option	11.1311	11.0947
End		
Regular Growth Option	34.2479	32.8091
Regular Quarterly IDCW Option	11.0797	11.2670
Direct Plan - Growth Option	36.5469	34.7199
Direct Plan - Quarterly IDCW Option	11.1520	11.2876
2. Closing Assets Under Management (Rs. in Lakhs)		
End	3,513	3,622
Average (AAuM) ¹	3,640	4,145
3. Gross income as % of AAuM ²	8.29%	12.38%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	2.07%	2.07%
Direct Plan - Growth Option	1.23%	1.25%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	1.25%	1.25%
Direct Plan - Growth Option	0.97%	0.99%
5. Net Income as a percentage of AAuM ³	6.63%	10.79%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Quarterly IDCW Option	0.6800	0.5690
Direct Plan - Quarterly IDCW Option	0.7200	0.4466

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate		
Regular Quarterly IDCW Option	0.6800	0.5269
Direct Plan - Quarterly IDCW Option	0.7200	0.4136
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option	4.3900	10.5700
Direct Plan - Growth Option	5.2600	11.4700
Benchmark		
CRISIL Composite Bond Fund Index (Debt Fund)	7.6900	12.5700
b. Since Inception		
Scheme		
Regular Growth Option	6.9500	7.1000
Direct Plan - Growth Option	7.5700	7.9000
Benchmark		
CRISIL Composite Bond Fund Index (Debt Fund)	7.1100	7.0800

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, 2021

1 Investments:-

- 1.1. It is confirmed that investments of the scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2021		2020	
Max Financial Services Ltd.	Equities	–	172,035,228	–	–
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years 2021 and 2020 and their percentages to net assets are as under :

Security Category	2021		2020	
	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	–	–	–	–
– Depreciation	–	–	137,860	0.04
Certificate of Deposit				
– Appreciation	–	–	472,594	0.13
– Depreciation	–	–	–	–
Government Securities				
– Appreciation	400,390	0.11	1,776,508	0.49
– Depreciation	5,236,216	1.49	35,526	0.01

- 1.7. The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-21 (excluding accretion of discount) are Rs. 1,046,750,561 and Rs. 1,031,703,773 respectively being 287.57% and 283.43% of the average daily net assets.

The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 1,779,195,896 and Rs. 1,872,116,040 respectively being 429.27% and 451.69% of the average daily net assets.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets are as under:

Security Category	Fair Value (Rupees)	Percentage to Net Assets	Fair Value (Rupees)	Percentage to Net Assets
	2021		2020	
Debt Instruments	–	–	20,590,840	5.68%
Money Market Instruments	–	–	–	–
Total	–	–	20,590,840	5.68%

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

During the year 2020-21, The Hong Kong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges are Nil.

During the year 2019-20, The Hong Kong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges are Nil.

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

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

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2020-2021	0.05	1.93	233,156.67	39.24

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2019-2020	0.05	1.51	181,616.40	38.35

**Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL.
(Previous year also Nil).**

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

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

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- (ii) Devolvement - Nil (Previous year also Nil).
- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.- Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of scheme as at March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Quarterly IDCW Option	2,215,549.823	59,695.061	184,335.448	2,090,909.436	10
Regular Growth Option	4,558,597.208	401,573.290	621,836.791	4,338,333.707	10
Direct Plan - Growth Option	5,547,653.017	348,146.472	995,919.281	4,899,880.208	10
Direct Plan - Quarterly IDCW Option	10,036.800	17,692.629	15,420.993	12,308.436	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Quarterly IDCW Option	2,410,973.423	59,906.509	255,330.109	2,215,549.823	10
Regular Growth Option	4,367,125.843	651,290.445	459,819.080	4,558,597.208	10
Direct Plan - Growth Option	7,782,651.919	387,173.225	2,622,172.127	5,547,653.017	10
Direct Plan - Quarterly IDCW Option	–	10,036.800	–	10,036.800	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31 2021 is 206,147.313 & as on March 31 2020 is 206,147.313

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other Income is Rs. 429/- Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT (2020: Other Income is Rs. 2/- Interest recd on printing & stationery bill paid by scheme instead off AMC - EXP).
- 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

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

March 31, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*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 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 February 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assess and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter is scheduled on September 24, 2021.

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

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 12 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 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Debt Fund	Moderate	Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 14 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Short Duration Fund

An open ended short term debt Scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not need step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Short Duration Fund (HSDF)

(An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years)

HSDF seeks to provide reasonable income through a diversified portfolio of fixed income securities such that the Macaulay duration of the portfolio is between 1 year to 3 years. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HSBC Short Duration Fund amounted to Rs. 153.39 crores as at March 31, 2021 as compared to Rs. 324.67 crores as at March 31, 2020. Around 94.20% of the net assets were invested in debt and money market instruments and 5.80% of the net assets comprised of reverse repos/TREPS and net current assets as at March 31, 2021.

HSDF underperformed its scheme's benchmark. One of scheme's exposure (Dewan Housing Finance Corporation Ltd) has been downgraded to "D" from 'BBB-'. Scheme written off 75% of the interest accrued till 3rd June 2019 and have also written off principal by 75%, resulting in underperformance. On 8th May 2020, we had written off 100% and later in the month of July we sold off the position at ~22 cents to dollar as outlook of the recovery look grim due ongoing pandemic.

Date of Inception : 10 December 2002	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Short Duration Fund - Growth	3.71	3.00	4.54	6.38
CRISIL Short Term Bond Fund Index (Scheme Benchmark)	7.80	8.38	8.08	7.33
CRISIL 1 Year T-Bill Index (Standard Benchmark)*	4.66	6.48	6.50	6.03
CRISIL 10 Year Gilt Index (Standard Benchmark)*	3.60	8.25	7.17	6.27
Rs. 10,000, if invested in HSDF, would have become	10,371	10,931	12,487	31,047
Rs. 10,000, if invested in CRISIL Short Term Bond Fund Index, would have become	10,780	12,742	14,751	36,538
Rs. 10,000, if invested in CRISIL 1 Year T-Bill Index, would have become	10,466	12,081	13,703	29,228
Rs. 10,000, if invested in CRISIL 10 Year Gilt Index, would have become	10,007	12,686	14,138	30,493

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

*Additional benchmark as per SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in

Trustees' Report

For the year ended March 31, 2021 (Contd...)

a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclical, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was

Trustees' Report

For the year ended March 31, 2021 (Contd...)

not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FII Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FII and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FII

Trustees' Report

For the year ended March 31, 2021 (Contd...)

flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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, 2021 (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 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Short Duration Fund	481,603.05	260	1,098,235.19	5

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

Trustees' Report

For the year ended March 31, 2021 (Contd...)

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

** As per AMFI Best Practice Guidelines Circular No. 25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall

Trustees' Report

For the year ended March 31, 2021 (Contd...)

complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

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

8. INVESTOR EDUCATION INITIATIVES

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 Advissorkhoj 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 have been

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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 December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Short Duration Fund	Moderate	Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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, 2021 (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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Short Duration Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Short Duration Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADD6818

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	5,635.64	13,355.47
2 Reserves & Surplus		
2.1 Unit Premium Reserves	115.32	1,307.20
2.2 Unrealised Appreciation Reserve	—	—
2.3 Other Reserves	9,640.03	17,752.07
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	130.30	368.57
TOTAL	15,521.29	32,783.31
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	9,757.93	29,397.31
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	4,695.19	—
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	14,453.12	29,397.31
2 Deposits	3.29	18.03
3 Other Current Assets		
3.1 Cash & Bank Balance	1.16	0.09
3.2 TREPS/Reverse Repo Lending	598.75	608.25
3.3 Others	464.97	2,759.63
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	15,521.29	32,783.31

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1 INCOME		
1.1 Dividend	—	—
1.2 Interest	1,507.46	4,231.49
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	(7,338.01)	695.42
1.6 Realised Gains/(Losses) on Derivative Transactions	—	—
1.7 Other Income	0.03	0.00
(A)	(5,830.52)	4,926.91
2 EXPENSES		
2.1 Investment Management Fees	80.72	312.21
2.2 GST on Investment Management Fees	14.53	56.20
2.3 Transfer Agents Fees and Expenses	7.98	20.83
2.4 Custodian Fees	1.06	3.32
2.5 Trusteeship Fees	0.27	0.59
2.6 Commission to Agents	45.50	217.80
2.7 Marketing & Distribution Expenses	0.29	0.22
2.8 Audit Fees	0.36	0.74
2.9 Investor Education Expenses	4.57	11.38
2.10 Interest on Borrowing	—	—
2.11 Other Operating Expenses	1.84	4.48
(B)	157.12	627.77
3 NET REALISED GAINS/(LOSSES) FOR THE YEAR (C = A - B)	(5,987.64)	4,299.14
4 Change in Unrealised Depreciation in Value of Investments [Refer Note 11 (I, II, III)]	(D) 6,796.92	(6,660.00)
5 NET GAINS/(LOSSES) FOR THE YEAR (E = C + D)	809.28	(2,360.86)
6 Change in Unrealised Appreciation in Value Investments	—	(57.81)
(F)		
7 NET SURPLUS/(DEFICIT) FOR THE YEAR (G = E + F)	809.28	(2,418.67)
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	—	57.81
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	—	—
7.3 Add/(Less) : Equalisation	(8,911.51)	(22,607.76)
7.4 Transfer from Reserve Fund	17,752.07	42,905.01
7.5 Transfer from Unit Premium Reserve	—	—
8 Total	9,649.84	17,936.39
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(9.81)	(132.66)
9.2 Tax on Income Distributed during the Year	—	(51.66)
10 Retained Surplus/(Deficit) Carried Forward to Balance Sheet	9,640.03	17,752.07

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Growth Option	29.9345	30.3242
Regular Quarterly IDCW Option	10.4504	10.5863
Regular Weekly IDCW Option	9.9730	10.2210
Regular Monthly IDCW Option	10.9778	11.2490
Direct Plan - Growth Option	31.9560	32.0655
Direct Plan - Weekly IDCW Option	10.0763	10.2461
Direct Plan - Monthly IDCW Option	12.3702	12.4146
Direct Plan - Quarterly IDCW Option	—	—
High		
Regular Growth Option	31.1319	30.6449
Regular Quarterly IDCW Option	10.8683	10.6983
Regular Weekly IDCW Option	10.2254	10.2480
Regular Monthly IDCW Option	11.4144	11.3250
Direct Plan - Growth Option	33.4938	32.4586
Direct Plan - Weekly IDCW Option	10.2602	10.2738
Direct Plan - Monthly IDCW Option	12.9646	12.5664
Direct Plan - Quarterly IDCW Option	—	—
Low		
Regular Growth Option	27.2888	28.0226
Regular Quarterly IDCW Option	9.5267	9.7828
Regular Weekly IDCW Option	9.0916	9.3359
Regular Monthly IDCW Option	10.0053	10.2765
Direct Plan - Growth Option	29.1627	29.6864
Direct Plan - Weekly IDCW Option	9.1955	9.3608
Direct Plan - Monthly IDCW Option	11.2887	11.4931
Direct Plan - Quarterly IDCW Option	—	—
End		
Regular Growth Option	31.0443	29.9345
Regular Quarterly IDCW Option	10.8376	10.4504
Regular Weekly IDCW Option	10.1822	9.9730
Regular Monthly IDCW Option	11.3822	10.9778
Direct Plan - Growth Option	33.4808	31.9560
Direct Plan - Weekly IDCW Option	10.2231	10.0763
Direct Plan - Monthly IDCW Option	12.9496	12.3702
Direct Plan - Quarterly IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
2. Closing Assets Under Management (Rs. in Lakhs)		
End	15,339	32,467
Average (AAuM) ¹	22,845	56,890
3. Gross income as % of AAuM ²	-25.52%	8.66%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	1.29%	1.29%
Direct Plan - Growth Option	0.27%	0.34%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.67%	0.63%
Direct Plan - Growth Option	0.17%	0.23%
5. Net Income as a percentage of AAuM ³	-26.21%	7.56%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Weekly IDCW Option	0.1596	0.0857
Regular Quarterly IDCW Option	—	—
Regular Monthly IDCW Option	0.0025	0.0932
Direct Plan - Weekly IDCW Option	0.3215	0.0979
Direct Plan - Monthly IDCW Option	—	—
Direct Plan - Quarterly IDCW Option	—	—
Corporate		
Regular Weekly IDCW Option	0.1596	0.0793
Regular Quarterly IDCW Option	—	—
Regular Monthly IDCW Option	0.0025	0.0863
Direct Plan - Weekly IDCW Option	0.3215	0.0906
Direct Plan - Monthly IDCW Option	—	—
Direct Plan - Quarterly IDCW Option	—	—
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option	3.7100	(1.2400)
Direct Plan - Growth Option	4.7700	(0.3000)
Benchmark		
CRISIL Short-Term Bond Fund Index	7.8000	9.7800

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
b. Since Inception		
Scheme		
Regular Growth Option	6.3800	6.5400
Direct Plan - Growth Option	6.9400	7.2400
Benchmark		
CRISII Short-Term Bond Fund Index	7.3300	7.3000

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, 2021

1 Investments:-

- 1.1. It is confirmed that investments of the scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2021		2020	
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 & March 31, 2020 (Ref. Note 11).
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years 2021 and 2020 and their percentages to net assets are as under :

Security Category	2021		2020	
	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	4,217,998	0.27	38,743,159	1.19
– Depreciation	4,721,555	0.31	199,879,520	6.16
Certificate of Deposit				
– Appreciation	–	–	–	–
– Depreciation	–	–	–	–
Government Securities				
– Appreciation	313,530	0.02	–	–
– Depreciation	3,502,066	0.23	–	–

- 1.7. The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-21 (excluding accretion of discount) are Rs. 5,908,533,203 and Rs. 7,377,052,326 respectively being 258.63% and 322.91% of the average daily net assets.

The aggregate value of investments securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 6,162,041,296 and Rs. 11,174,466,636 respectively being 108.31% and 196.42% of the average daily net assets.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets are as under:

Security Category	Fair Value (Rupees)	Percentage to Net Assets	Fair Value (Rupees)	Percentage to Net Assets
	2021		2020	
Debt Instruments	923,818,916	60.23%	2,475,916,444	76.26%
Money Market Instruments	–	–	–	–
Total	923,818,916	60.23%	2,475,916,444	76.26%

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

During the year 2020-21, The Hong Kong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges are Nil.

During the year 2019-20, The Hong Kong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges are Nil.

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

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

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2020-2021	19.34	10.34	2,964,642.12	71.98

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2019-2020	16.65	22.97	15,043,909.20	76.05

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL).

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

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

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.- Nil (Previous year also Nil).
- 3 Details of investors holding units in the scheme over 25% of the NAV as on March 31, 2021 & March 31, 2020:

Name of Scheme	2020-21		2019-20	
	Number of Investor	% Investment	Number of Investor	% Investment
HSBC Short Duration Fund	1	25.88%	Nil	

- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Monthly IDCW Option	26,864,853.457	23,325.597	18,237,901.456	8,650,277.598	10
Regular Growth Option	64,127,358.680	12,008,114.973	58,625,414.092	17,510,059.561	10
Regular Quarterly IDCW Option	3,409.208	23,961.268	23,961.268	3,409.208	10
Regular Weekly IDCW Option	14,690,233.714	65,966.863	10,338,773.387	4,417,427.190	10
Direct Plan - Growth Option	27,403,382.970	47,170,170.923	49,268,693.404	25,304,860.489	10
Direct Plan - Monthly IDCW Option	1,234.074	3,410.640	4,589.791	54.923	10
Direct Plan - Weekly IDCW Option	464,252.344	13,725.312	7,637.281	470,340.375	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Monthly IDCW Option	59,182,456.278	3,009,629.624	35,327,232.445	26,864,853.457	10
Regular Growth Option	180,319,972.767	13,403,487.845	129,596,101.932	64,127,358.680	10
Regular Quarterly IDCW Option	37,576.278	8,798.106	42,965.176	3,409.208	10

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Weekly IDCW Option	88,745,837.140	5,027,397.615	79,083,001.041	14,690,233.714	10
Direct Plan - Growth Option	39,833,623.566	3,649,997.385	16,080,237.981	27,403,382.970	10
Direct Plan - Monthly IDCW Option	1,072.989	2,203.116	2,042.031	1,234.074	10
Direct Plan - Weekly IDCW Option	1,485,385.795	13,770.200	1,034,904.051	464,252.344	10

** Units held by the AMC in Direct Plan Growth Option as on 31/03/2021 is 12,106,882.11 & as on 31/03/2020 is 210,860.141

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other Income is Rs. 3,258/- Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT in HSBC Short Duration Fund (2020: Other Income is Rs. 47 Interest recd on printing & stationery bill paid by scheme instead off AMC -EXP.
- 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

9 Garnishee Notice from Income Tax Authorities

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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 February 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assess and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter is scheduled on September 24, 2021.

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

11 i) Hair Cut in receivables & interest during the year in security rated below Investment Grade or Default :

31-March-2021

(Rs. in Lakhs)

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued (B) #	Total Hair cut during the Year (A+B)
HSBC Short Duration Fund	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	—	—	—
HSBC Short Duration Fund	9.10% DEWAN HSG FIN NCD RED 16-08-2019	INE202B07HQ0	1,250.00	91.00	1,341.00
HSBC Short Duration Fund	9.05% DEWAN HSG FIN NCD RED 09-09-2019	INE202B07IJ3	375.00	24.83	399.83

31-March-2020

(Rs. in Lakhs)

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued (B) #	Total Hair cut during the Year (A+B)
HSBC Short Duration Fund	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	1,578.67	—	1,578.67
HSBC Short Duration Fund	9.10% DEWAN HSG FIN NCD RED 16-08-2019	INE202B07HQ0	—	—	—
HSBC Short Duration Fund	9.05% DEWAN HSG FIN NCD RED 09-09-2019	INE202B07IJ3	—	—	—

Interest Accrual was stopped from 04th June 2019

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

II) Details of sale of below investment grade or default securities :-

During the year ended March 31, 2021, following securities (Below investment grade or default securities) have been sold at the value set out in the table below and the consequential loss on sale of these securities has been recognised in the revenue account.

(in Rs. Lacs)

Scheme name	Name of the security	ISIN	Trade Date	Selling Value of the security
HSBC Short Duration Fund	9.10% DEWAN HSG FIN NCD RED 16-08-2019	INE202B07HQ0	06-Jul-2020	1,123.88
HSBC Short Duration Fund	9.05% DEWAN HSG FIN NCD RED 09-09-2019	INE202B07IJ3	06-Jul-2020	335.36
HSBC Short Duration Fund	8.90% DHFL NCD RED 04-06-2021	INE202B07IY2	08-May-2020	375.00

There are no sale of securities (Below investment grade or default) during the year ended March 31, 2020.

III) Details of Below investment grade or default security as at year end :

As at March 31, 2021, there are no investments in Below investment grade or default securities held by the Schemes.

The table below sets out the details of investments in Below investment grade or default securities held by the Schemes as of March 31, 2020:

(in Rs. Lacs)

Scheme name	Name of the security	ISIN	Value (in absolute terms) of the security considered under net receivables / current assets	Value (in % terms) of the security considered under net receivables/ current assets *	Principal amount due to the scheme	Interest amount due to the scheme #	Total amount due to the scheme (Lakhs)	75 % Provision (Principal + Interest)	Market Value (Rs in Lakhs)	% to Net Assets *
HSBC Short Duration Fund ^^	9.10% DEWAN HSG FIN NCD RED 16-08-2019	INE202B07HQ0	1,341.00	4.13%	5,000.00	364.00	5,364.00	4,023.00	–	–
HSBC Short Duration Fund ^^	9.05% DEWAN HSG FIN NCD RED 09-09-2019	INE202B07IJ3	399.83	1.23%	1,500.00	99.30	1,599.30	1,199.48	–	–
HSBC Short Duration Fund ^	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	–	–	2,500	–	–	–	500.18	1.54%
Total			1,740.83	5.36%	9,000.00	463.30	6,963.30	5,222.48	500.18	1.54%

^ On May 08, 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

^^ On July 06, 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

#Interest Accrual was stopped from 04th June 2019

* For calculation of % to Net Assets and Value (in % terms), AUM as on March 31, 2020 has been considered.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 12 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 13 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.

14 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
HSBC Short Duration Fund	Moderate	Moderate	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 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 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.



HSBC Corporate Bond Fund

An open ended debt scheme predominantly investing in AA + and above rated corporate bonds

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Corporate Bond Fund (HCBF)

(An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds)

HCBF seeks to generate reasonable income and provide risk-adjusted returns by investing primarily in AA+ and above rated corporate debt securities. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HSBC Corporate Bond Fund amounted to Rs. 374.10 crores as at March 31, 2021. The entire net assets were invested in debt and money market instruments as at March 31, 2021. The scheme was launched on September 29, 2020.

HCBF was launched in Sep. 20. During the portfolio construction stage markets rallied leading to its underperformance. Also due to conservative investments and under ownership of non AAA Assets it lagged in the first six months.

Date of Inception : 29 September 2020	Absolute Returns (%)		Compounded Annualized (%)		
	6 months	1 Year	3 Years	5 Years	Since Inception
Scheme Name & Benchmarks					
HSBC Corporate Bond Fund - Growth	1.44	NA	NA	NA	1.48
NIFTY Corporate Bond Index (Scheme Benchmark)	3.27	NA	NA	NA	3.23
CRISIL 10 year Gilt Index (Standard Benchmark)	1.62	NA	NA	NA	1.83
CRISIL Corporate Bond Composite Index* (Standard Benchmark)*	3.62	NA	NA	NA	3.62
Rs. 10,000, if invested in HCBF, would have become	10,071	NA	NA	NA	10,074
Rs. 10,000, if invested in NIFTY Corporate Bond Index, would have become	10,162	NA	NA	NA	10,161
Rs. 10,000, if invested in CRISIL 10 year Gilt Index, would have become	10,080	NA	NA	NA	10,091
Rs. 10,000, if invested in CRISIL Corporate Bond Composite Index, would have become	10,179	NA	NA	NA	10,180

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI). Absolute returns have been provided for less than 1 year.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second

Trustees' Report

For the year ended March 31, 2021 (Contd...)

wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker

Trustees' Report

For the year ended March 31, 2021 (Contd...)

with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume

Trustees' Report

For the year ended March 31, 2021 (Contd...)

primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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

a. Sponsor

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

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

b. HSBC Mutual Fund

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

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

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities

Trustees' Report

For the year ended March 31, 2021 (Contd...)

as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2021:

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

Trustees' Report

For the year ended March 31, 2021 (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 Advissorkhoj 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Corporate Bond Fund	Moderate	Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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	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, 2021 (Contd...)

5. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
	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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Corporate Bond Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Corporate Bond Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the period ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the period ended on that date.

Basis for Opinion

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

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

The Scheme's management, the Board of Directors of HSSBC Mutual Fund (the 'Trustee') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations of the Scheme 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 (the 'Regulations') and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The management is 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

Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADE9170

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

		Rs. in Lakhs
		As at March 31, 2021 [#]
LIABILITIES		
1	Unit Capital	36,853.09
2	Reserves & Surplus	
2.1	Unit Premium Reserves	14.71
2.2	Unrealised Appreciation Reserve	9.58
2.3	Other Reserves	528.72
3	Loans & Borrowings	–
4	Current Liabilities & Provisions	
4.1	Provision for Doubtful Income / Deposits	–
4.2	Other Current Liabilities & Provisions	74.88
TOTAL		37,480.98
ASSETS		
1	Investments	
1.1	Listed Securities:	
1.1.1	Equity Shares	–
1.1.2	Preference Shares	–
1.1.3	Equity Linked Debentures	–
1.1.4	Other Debentures & Bonds	31,078.80
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	4,057.19
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		35,135.99
2	Deposits	4.12
3	Other Current Assets	
3.1	Cash & Bank Balance	2.35
3.2	TREPS / Reverse Repo Lending	1,154.88
3.3	Others	1,183.64
4	Deferred Revenue Expenditure (to the extent not written off)	–
TOTAL		37,480.98

[#] Scheme launched during the current financial year

Notes to Accounts – Annexure I

Abridged Revenue Account for the period ended March 31, 2021

Rs. in Lakhs

		Current period ended March 31, 2021#
1	INCOME	
1.1	Dividend	—
1.2	Interest	1,975.20
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	—
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	—
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(560.70)
1.6	Realised Gains / (Losses) on Derivative Transactions	—
1.7	Other Income	0.09
	(A)	1,414.59
2	EXPENSES	
2.1	Investment Management Fees	99.67
2.2	GST on Investment Management Fees	17.94
2.3	Transfer Agents Fees and Expenses	12.26
2.4	Custodian Fees	1.40
2.5	Trusteeship Fees	0.19
2.6	Commission to Agents	70.40
2.7	Selling and Distribution Expenses	0.20
2.8	Audit Fees	0.88
2.9	Investor Education Expenses	6.78
2.10	Interest on Borrowing	—
2.11	Other Operating Expenses	4.49
	(B)	214.21
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B) 1,200.38
4	Change in Unrealised Depreciation in Value of Investments	(D) (232.30)
5	NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D) 968.08
6	Change in Unrealised Appreciation in Value of Investments	(F) 9.58
7	NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F) 977.66
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(9.58)
7.3	Add / (Less) : Equalisation	(433.46)
7.4	Transfer from Reserve Fund	—
7.5	Transfer from Unit Premium Reserve	—
8	Total	534.62
9	Dividend Appropriation	
9.1	Income Distributed during the Year	(5.90)
9.2	Tax on Income Distributed during the Year	—
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	528.72

Scheme launched during the current financial year

Notes to Accounts - Annexure I

Key Statistics for the period ended March 31, 2021

Current
period ended
March 31, 2021#

1. NAV per unit (Rs.):

Open

Regular Plan - Growth Option	–
Regular Plan - Monthly IDCW Option	–
Regular Plan - Quarterly IDCW Option	–
Regular Plan - Half Yearly IDCW Option	–
Direct Plan - Growth Option	–
Direct Plan - Monthly IDCW Option	–
Direct Plan - Quarterly IDCW Option	–
Direct Plan - Half Yearly IDCW Option	–

High

Regular Plan - Growth Option	10.2489
Regular Plan - Monthly IDCW Option	10.1382
Regular Plan - Quarterly IDCW Option	10.2489
Regular Plan - Half Yearly IDCW Option	10.2489
Direct Plan - Growth Option	10.2605
Direct Plan - Monthly IDCW Option	10.2135
Direct Plan - Quarterly IDCW Option	10.2605
Direct Plan - Half Yearly IDCW Option	10.2605

Low

Regular Plan - Growth Option	10.0040
Regular Plan - Monthly IDCW Option	9.9505
Regular Plan - Quarterly IDCW Option	10.0040
Regular Plan - Half Yearly IDCW Option	10.0040
Direct Plan - Growth Option	10.0043
Direct Plan - Monthly IDCW Option	10.0043
Direct Plan - Quarterly IDCW Option	10.0043
Direct Plan - Half Yearly IDCW Option	10.0043

End

Regular Plan - Growth Option	10.1477
Regular Plan - Monthly IDCW Option	10.0381
Regular Plan - Quarterly IDCW Option	10.1477
Regular Plan - Half Yearly IDCW Option	10.1477
Direct Plan - Growth Option	10.1690
Direct Plan - Monthly IDCW Option	10.0995
Direct Plan - Quarterly IDCW Option	10.1690
Direct Plan - Half Yearly IDCW Option	10.1690

2. Closing Assets Under Management (Rs. in Lakhs)

End	37,411
Average (AAuM) ¹	67,289

Key Statistics for the period ended March 31, 2021 (Contd...)

	Current period ended March 31, 2021#
3. Gross income as % of AAUM ² (Annualised)	4.17%
4. Expense Ratio:	
a.Total Expense as % of AAUM (including GST on Management fees) (planwise) (Annualised)	
Regular Plan - Growth Option	0.76%
Direct Plan - Growth Option	0.35%
b. Management Fee as % of AAUM (planwise) (Annualised)	
Regular Plan - Growth Option	0.33%
Direct Plan - Growth Option	0.22%
5. Net Income as a percentage of AAUM ³ (Annualised)	3.54%
6. Portfolio turnover ratio ⁴	—
7. Total Dividend per unit distributed during the year (planwise)	
Retail	
Regular Plan - Monthly IDCW Option	0.1097
Direct Plan - Monthly IDCW Option	0.0692
Corporate	
Regular Plan - Monthly IDCW Option	0.1097
Direct Plan - Monthly IDCW Option	0.0692
8. Returns (%):	
a. Last One Year	
Scheme	
Regular Plan - Growth Option	NA
Direct Plan - Growth Option	NA
Benchmark	
NIFTY Corporate Bond Index	NA
b. Since Inception	
Scheme	
Regular Plan - Growth Option	2.95 % [¥]
Direct Plan - Growth Option	3.37 % [¥]
Benchmark	
NIFTY Corporate Bond Index	6.44 % [¥]

¥¥ Since scheme has not completed one year, since inception scheme & benchmark returns are simple-annulised returns.

¹ AAUM=Average daily net assets

² Gross income = amount against (A) in the Revenue account i.e. Income

³ Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the year

⁴ Portfolio Turnover = Lower of sales or purchase divided by the Average AUM for the year

Scheme launched during the current financial year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of period ended March 31, 2021 is NIL.
- 1.3. Investments in Associates and Group Companies:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes
			2021
Bharti Airtel Ltd.	Equities	–	470,907,573
Max Financial Services Ltd.	Equities	–	172,035,228
Balrampur Chini Mills Ltd.	Equities	–	56,482,738

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the period ended March 31, 2021 is NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 is NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial period March 31, 2021 is as follows:

Security Category	Amount (Rs.)	Percentage to Net Assets
	2021	
Non Convertible Debentures and Bonds Listed / Awaiting Listing		
– Appreciation	3,390,772	0.09
– Depreciation	26,621,054	0.71
Government Securities		
– Appreciation	1,454,852	0.04
– Depreciation	497,340	0.01

- 1.7. The aggregate value of investments securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020 - 2021 (excluding accretion of discount) is Rs. 817,92,29,229 and Rs. 458,74,80,610 respectively being 241.13% and 135.24% of the average daily net assets.
- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets is as under :

Security Category	Fair Value (Rupees)	Percentage to Net Assets
	2021	
Debt Instruments	2,857,397,650	76.38
Total	2,857,397,650	76.38

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

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021

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

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.

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

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

Name of Sponsor/ AMC and its associate/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	527.31	58.83	4,527,819	74.35

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

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

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

- Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil.
 - Devolvement - Nil.
 - Subscription by the schemes in the issues lead managed by associate companies - Nil.
 - Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil.
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the period ended March 31, 2021.
- 4 Unit Capital movement during the period ended March 31, 2021**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Plan - Growth Option	–	549,201,028.019	248,106,252.124	301,094,775.895	10
Regular Plan - Monthly IDCW Option	–	7,309,403.850	3,244,693.695	4,064,710.155	10
Regular Plan - Quarterly IDCW Option	–	4,707,816.430	3,408,090.909	1,299,725.521	10
Regular Plan - Half Yearly IDCW Option	–	1,280,488.589	469,238.935	811,249.654	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021**

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Direct Plan - Growth Option	–	313,646,220.206	252,430,928.020	61,215,292.186	10
Direct Plan - Monthly IDCW Option	–	33,288.182	23,486.387	9,801.795	10
Direct Plan - Quarterly IDCW Option	–	27,442.158	–	27,442.158	10
Direct Plan - Half Yearly IDCW Option	–	7,921.864	–	7,921.864	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2021 is 499,975.001.

- 5 No contingent liabilities for the period ended March 31, 2021.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other Income of is Rs. 9143/- represents Penal Interest received from Bank towards delay of RTGS/NEFT.
- 8 As these are the first financial statements of the schemes since the date of launch, there are no prior period comparatives.

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2016-17, 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021
	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40
Add: Accrual during FY 2020-21	195.77
Less: Transferred to AMFI *	89.04
Less: Payable to AMFI (March 2021 accrual) *	8.84
Add: Investment Income FY 2020-21	11.94
Less: Spent during FY 2020-21	43.73
Closing Balance as on March 31, 2021	373.49

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

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

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

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021

duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Corporate Bond Fund	Moderate	Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and August July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Scheme launched during the current financial year.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Low Duration Fund

An open ended low duration debt Scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not need step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Low Duration Fund (HLDF)

(An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months)

HLDF seeks to provide liquidity and reasonable returns by investing primarily in a mix of debt and money market instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HLDF amounted to Rs. 114.54 crores as at March 31, 2021 compared to Rs. 128.30 crores as at March 31, 2020. Around 98.27 % of the net assets were invested in debt and money market instruments and 1.73% comprised of reverse repos/TREPS and net current assets as at March 31, 2021

HLDF underperformed its scheme's benchmark. One of scheme's exposure (Dewan Housing Finance Corporation Ltd) has been downgraded to "D" from 'BBB-'. Scheme written off 75% of the interest accrued till 3rd June 2019 and have also written off principal by 75%, resulting in underperformance. On 8th May 2020, we had written off 100% and later in the month of July we sold off the position at ~22 cents to dollar as outlook of the recovery look grim due ongoing pandemic.

Date of Inception : 17 October 2006	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Low Duration Fund - Growth	2.83	1.98	3.90	5.83
CRISIL Low Duration Debt Index (Scheme Benchmark)*	6.46	7.57	7.64	8.29
CRISIL 1 Year T-Bill Index (Standard Benchmark)	4.66	6.48	6.50	6.92
10,000, if invested in HLDF, would have become	10,283	10,608	12,109	16,189
10,000, if invested in CRISIL Low Duration Debt Index, would have become	10,646	12,457	14,453	19,681
10,000, if invested in CRISIL 1 Year T-Bill Index, would have become	10,466	12,081	13,703	17,662

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness

Trustees' Report

For the year ended March 31, 2021 (Contd...)

an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted

Trustees' Report

For the year ended March 31, 2021 (Contd...)

INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows were ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the

Trustees' Report

For the year ended March 31, 2021 (Contd...)

non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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, 2021 (Contd...)

c. Board of Trustees (the Trustees)

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

d. Asset Management Company (the AMC)

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

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Low Duration Fund	34,644.98	68	84,278.89	14

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

Trustees' Report

For the year ended March 31, 2021 (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 Advissorkhoj 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Low Duration Fund	Low to Moderate	Low to Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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	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, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non - compliance, if any
	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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Low Duration Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Low Duration Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and for the year ended on that date.

Basis for Opinion

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

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

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

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

The management is 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

Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

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

Chartered Accountants

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

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADF7335

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	8,169.67	11,007.11
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(66.50)	(109.39)
2.2 Unrealised Appreciation Reserve	1.41	48.57
2.3 Other Reserves	4,346.96	1,882.64
3 Loans & Borrowings	-	-
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	-	-
4.2 Other Current Liabilities & Provisions	44.65	105.42
TOTAL	12,496.19	12,934.35
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	9,224.40	6,067.22
1.1.5 Securitised Debt Securities	-	-
1.2 Securities Awaited Listing:		
1.2.1 Equity Shares	-	-
1.2.2 Preference Shares	-	-
1.2.3 Equity Linked Debentures	-	-
1.2.4 Other Debentures & Bonds	-	-
1.2.5 Securitised Debt Securities	-	-
1.3 Unlisted Securities:		
1.3.1 Equity Shares	-	-
1.3.2 Preference Shares	-	-
1.3.3 Equity Linked Debentures	-	-
1.3.4 Other Debentures & Bonds	-	-
1.3.5 Securitised Debt Securities	-	-
1.4 Government Securities	1,046.51	-
1.5 Treasury Bills	-	-
1.6 Commercial Paper	-	-
1.7 Certificate of Deposits	984.84	4,306.77
1.8 Bill Rediscounting	-	-
1.9 Units of Domestic Mutual Fund	-	-
1.10 Foreign Securities	-	-
Total Investments	11,255.75	10,373.99
2 Deposits	2.47	1.50
3 Other Current Assets		
3.1 Cash & Bank Balance	0.43	0.46
3.2 TREPS/Reverse Repo Lending	887.51	1,355.16
3.3 Others	350.03	1,203.24
4 Deferred Revenue Expenditure (to the extent not written off)	-	-
TOTAL	12,496.19	12,934.35

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	—	—
1.2	Interest	740.11	1,547.90
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	(2,890.69)	152.48
1.6	Realised Gains/(Losses) on Derivative Transactions	—	—
1.7	Other Income	0.76	1.82
	(A)	(2,149.82)	1,702.20
2	EXPENSES		
2.1	Investment Management Fees	34.09	98.10
2.2	GST on Investment Management Fees	6.14	17.66
2.3	Transfer Agents Fees and Expenses	4.40	8.02
2.4	Custodian Fees	0.66	1.35
2.5	Trusteeship Fees	0.14	0.22
2.6	Commission to Agents	22.50	68.19
2.7	Marketing & Distribution Expenses	0.08	0.11
2.8	Audit Fees	0.27	0.29
2.9	Investor Education Expenses	2.45	4.38
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	1.47	2.23
	(B)	72.20	200.55
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	(2,222.02)	1,501.65
4	Change in Unrealised Depreciation in Value of Investments (Refer Note 11)	(D) 2,773.80	(2,779.26)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	551.78	(1,277.61)
6	Change in Unrealised Appreciation in Value of Investments	(F) (47.16)	5.61
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	504.62	(1,272.00)
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	47.16	—
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	—	(5.61)
7.3	Add/(Less) : Equalisation	1,912.64	(2,708.02)
7.4	Transfer from Reserve Fund	1,882.64	6,083.51
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	4,347.06	2,097.88
9	Dividend Appropriation		
9.1	Income Distributed during the Year	(0.10)	(152.20)
9.2	Tax on Income Distributed during the Year	—	(63.04)
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	4,346.96	1,882.64

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1 NAV per unit (Rs.):		
Open		
Regular Growth Option #	22.6722	23.6148
Regular Daily IDCW Option #	9.4999	10.0070
Regular Weekly IDCW Option #	9.5163	10.0282
Institutional Growth Option ^	15.7429	16.3481
Institutional Daily IDCW Option ^	9.5697	10.0557
Institutional Weekly IDCW Option ^	9.5828	10.0532
Institutional Monthly IDCW Option ^	9.6637	10.1577
Institutional Plus Daily IDCW Option	–	18.6771
Direct Plan - Growth Option	16.6003	17.1004
Direct Plan - Daily IDCW Option	9.6644	10.0889
Direct Plan - Weekly IDCW Option	9.6749	10.1029
Direct Plan - Monthly IDCW Option	9.9240	10.3626
High		
Regular Growth Option #	23.2443	23.8736
Regular Daily IDCW Option #	9.7396	10.0033
Regular Weekly IDCW Option #	9.7564	10.0405
Institutional Growth Option ^	16.1886	16.5359
Institutional Daily IDCW Option ^	9.8407	10.0519
Institutional Weekly IDCW Option ^	9.8543	10.0684
Institutional Monthly IDCW Option ^	9.9373	10.1962
Institutional Plus Daily IDCW Option	–	18.9165
Direct Plan - Growth Option	17.2111	17.3211
Direct Plan - Daily IDCW Option	10.0179	10.0846
Direct Plan - Weekly IDCW Option	10.0287	10.1160
Direct Plan - Monthly IDCW Option	10.0665	10.4078
Low		
Regular Growth Option #	20.5839	21.6293
Regular Daily IDCW Option #	8.6249	9.0629
Regular Weekly IDCW Option #	8.6397	9.0786
Institutional Growth Option ^	14.2977	14.9815
Institutional Daily IDCW Option ^	8.6912	9.1070
Institutional Weekly IDCW Option ^	8.7031	9.1194
Institutional Monthly IDCW Option ^	8.7766	9.1963
Institutional Plus Daily IDCW Option	–	17.1387
Direct Plan - Growth Option	15.0901	15.6933
Direct Plan - Daily IDCW Option	8.7851	9.1368
Direct Plan - Weekly IDCW Option	8.7946	9.1467
Direct Plan - Monthly IDCW Option	9.0211	9.3822

Key Statistics for the year ended March 31, 2021 *(Contd...)*

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
End		
Regular Growth Option #	23.2443	22.6722
Regular Daily IDCW Option #	9.7396	9.4999
Regular Weekly IDCW Option #	9.7564	9.5163
Institutional Growth Option ^	16.1886	15.7429
Institutional Daily IDCW Option ^	9.8407	9.5697
Institutional Weekly IDCW Option ^	9.8543	9.5828
Institutional Monthly IDCW Option ^	9.9373	9.6637
Institutional Plus Daily IDCW Option	—	—
Direct Plan - Growth Option	17.2111	16.6003
Direct Plan - Daily IDCW Option	10.0179	9.6644
Direct Plan - Weekly IDCW Option	10.0287	9.6749
Direct Plan - Monthly IDCW Option	10.0158	9.9240
2. Closing Assets Under Management (Rs. in Lakhs)		
End	11,454	12,830
Average (AAuM) ¹	12,240	21,916
3. Gross income as % of AAuM ²	-17.56%	7.77%
4. Expense Ratio:		
a.Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option #	1.32%	1.32%
Institutional Growth Option ^	1.02%	1.02%
Institutional Plus Growth Option	NA	0.27%
Direct Plan - Growth Option	0.20%	0.22%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option #	0.12%	0.13%
Institutional Growth Option ^	0.53%	0.51%
Institutional Plus Growth Option	NA	0.10%
Direct Plan - Growth Option	0.10%	0.12%
5. Net Income as a percentage of AAuM ³	-18.15%	6.85%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Daily IDCW Option #	—	0.0812
Regular Weekly IDCW Option #	—	0.0841
Institutional Daily IDCW Option ^	—	0.0855
Institutional Weekly IDCW Option ^	—	0.0738
Institutional Monthly IDCW Option ^	—	0.0888
Direct Plan - Daily IDCW Option	—	0.0963
Direct Plan - Weekly IDCW Option	—	0.0985
Direct Plan - Monthly IDCW Option	0.2679	0.1009

Key Statistics for the year ended March 31, 2021 *(Contd...)*

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate		
Regular Daily IDCW Option #	–	0.0752
Regular Weekly IDCW Option #	–	0.0779
Institutional Daily IDCW Option ^	–	0.0792
Institutional Weekly IDCW Option ^	–	0.0684
Institutional Monthly IDCW Option ^	–	0.0822
Direct Plan - Daily IDCW Option	–	0.0892
Direct Plan - Weekly IDCW Option	–	0.0912
Direct Plan - Monthly IDCW Option	0.2679	0.0934
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option #	2.5200	(3.9245)
Institutional Growth Option ^	2.8300	(3.6400)
Direct Plan - Growth Option	3.6800	(2.8600)
Benchmark		
CRISIL Low Duration Debt Index	6.4600	8.0700
b. Since Inception		
Scheme		
Regular Growth Option #	6.0100	6.2700
Institutional Growth Option ^	5.8300	6.2400
Direct Plan - Growth Option	6.5100	6.9100
Benchmark		
CRISIL Low Duration Debt Index	8.2900	8.5400

Plans Discontinued for fresh subscription

^ Institutional plan is (Regular continue Plan) available for fresh subscription w.e.f. October 01, 2012.

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains/(Losses) for the year

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.3. Investments in Associates and Group Companies as of years ended March 31, 2021 and March 31, 2020:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of financial years ended 2021 and 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 (Refer Note 11).
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the Financial years March 31, 2021 and March 31, 2020 are as under:

Company Name	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Certificate of Deposit/Commercial Paper				
– Appreciation	31,081	~0.00	740,838	0.06
– Depreciation	–	–	2,297,076	0.18
Non-Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	4,344,800	0.38	5,758,100	0.45
– Depreciation	8,398,587	0.73	901,100	0.07
Government Securities				
– Appreciation	109,620	0.01	–	–
– 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 2020-21 (excluding accretion of discount) are Rs. 1,874,439,729 and Rs. 1,800,508,661 respectively being 153.14% and 147.10% of the average daily net assets.

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 3,396,186,467 and Rs. 5,696,476,500 respectively being 154.97% and 259.93% of the average daily net assets.

1.8. Non-Traded Securities in the portfolio :

Aggregate Value of Equity, Debt & Money Market Instruments and their percentages to Net assets are as under :

Security Category	Fair Value (Rupees)	% to Net Assets	Fair Value (Rupees)	% to Net Assets
	2021		2020	
Debt Instruments	714,778,700	62.40%	606,721,900	47.29%
Money market Instruments	98,483,500	8.60%	282,992,550	22.06%
Total	813,262,200	71.00%	889,714,450	69.35%

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

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

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

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2020-2021	39.59	23.77	1,087,384	53.38

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate	2019-2020	21.87	19.81	4,411,719	69.13

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL.
(Previous year also NIL).

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

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

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- (ii) Devolvement - Nil (Previous year also Nil).
- (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
- (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option	705,524.344	–	430,936.487	274,587.857	10
Regular Daily IDCW Option	1,951,242.099	–	638,471.237	1,312,770.862	10
Regular Weekly IDCW Option	686,900.338	–	1,217.855	685,682.483	10
Institutional Growth Option	29,904,544.146	43,475,150.583	47,078,098.608	26,301,596.121	10
Institutional Daily IDCW Option	49,969,763.024	1,004,963.686	44,868,081.42	6,106,645.295	10
Institutional Weekly IDCW Option	10,957,400.521	5,730,419.22	11,605,603.03	5,082,216.717	10
Institutional Monthly IDCW Option	7,028,357.219	1,267,907.64	5,093,999.15	3,202,265.706	10
Institutional Plus Daily IDCW Option	–	–	–	–	10
Direct Plan - Growth Option	4,925,879.91	56,429,268.93	24,724,553.18	36,630,595.657	10
Direct Plan - Daily IDCW Option	1,785,690.33	505.45	1,562,513.22	223,682.565	10
Direct Plan - Weekly IDCW Option	2,022,917.03	514.26	156,980.04	1,866,451.248	10
Direct Plan - Monthly IDCW Option	132,852.38	2,934.76	125,616.37	10,170.76	10

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021**

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option	712,235.104	–	6,710.760	705,524.344	10
Regular Daily IDCW Option	2,456,524.937	–	505,282.838	1,951,242.099	10
Regular Weekly IDCW Option	777,642.792	–	90,742.454	686,900.338	10
Institutional Growth Option	67,925,644.717	27,818,925.255	65,840,025.826	29,904,544.146	10
Institutional Daily IDCW Option	92,787,201.352	10,115,119.229	52,932,557.56	49,969,763.024	10
Institutional Weekly IDCW Option	22,567,389.392	3,831,576.96	15,441,565.83	10,957,400.521	10
Institutional Monthly IDCW Option	49,441,510.410	7,958,441.64	50,371,594.83	7,028,357.219	10
Institutional Plus Daily IDCW Option	33,942.457	–	33,942.46	–	10
Direct Plan - Growth Option	21,363,875.27	25,261,646.85	41,699,642.22	4,925,879.912	10
Direct Plan - Daily IDCW Option	11,778,224.08	124,747.96	10,117,281.71	1,785,690.328	10
Direct Plan - Weekly IDCW Option	2,066,925.12	39,213.54	83,221.63	2,022,917.032	10
Direct Plan - Monthly IDCW Option	138,519.02	2,368.68	8,035.33	132,852.38	10

** Units held by the AMC in Direct Plan Growth Option as on 31/03/2021 is 6,973,007.18 & as on 31/03/2020 is 395,920.436

- 5 Prior year amounts have been re-grouped / re-arranged where necessary.
- 6 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other Income of Rs. 76,376 represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: Rs. 182,140 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, 2021. 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, 2021

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

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

10 Garnishee Notice from Income Tax Authorities

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores.

Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year.

Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT.

The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th Feb 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter is scheduled on September 24, 2021.

11 Securities in default beyond its maturity date

i) Hair Cut in receivables & interest during the year in security rated below Investment Grade or Default:

31-Mar-2021

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued #	Total Hair cut during the Year (A+B)
HSBC Low Duration Fund	9.05% DEWAN HSG FIN NCD RED 09-09-2019	INE202B07IJ3	875.00	57.93	932.93

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

31-Mar-2020

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued #	Total Hair cut during the Year (A+B)
HSBC Low Duration Fund	9.05% DEWAN HSG FIN NCD RED 09-09-2019	INE202B07IJ3	2,625.00	173.78	2,798.78

#Interest Accrual was stopped from 04th June 2019

II) Details of sale of Below investment grade or default securities

During the year ended March 31, 2021, following securities (Below investment grade or default securities) have been sold at the value set out in the table below and the consequential loss on sale of these securities has been recognised in the revenue account.

Rs. in Lakhs

Scheme name	Name of the security	ISIN	Trade Date	Selling Value of the security
HSBC Low Duration Fund	9.05% DEWAN HSG FIN NCD RED 09-09-2019	INE202B07IJ3	06-Jul-2020	782.51

There are no sale of securities (Below investment grade or default) during the year ended March 31, 2020.

III) Details of Below investment grade or default security as at year end :

As at March 31, 2021, there are no investments in Below investment grade or default securities held by the Schemes.

The table below sets out the details of investments in Below investment grade or default securities held by the Schemes as of March 31, 2020:

Scheme name	Name of the security	ISIN	Value (in absolute terms) of the security considered under net receivables / current assets	Value (in % terms) of the security considered under net receivables/ current assets *	Principal amount due to the scheme	Interest amount due to the scheme #	Total amount due to the scheme	75 % provision on (Principal + Interest)
HSBC Low Duration Fund	9.05% DEWAN HSG FIN NCD RED 09-09-2019	INE202B07IJ3	932.93	7.27%	3,500.00	231.70	3,731.70	2,798.78

On July 06, 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

#Interest Accrual was stopped from 04th June 2019

* For calculation of Value (in % terms), AUM as on 31 Mar 2020 has been considered.

- 12 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs

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

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

- 13 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.

14 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
HSBC Low Duration Fund	Low to Moderate	Low to Moderate	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 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 19, 2021 and July 20, 2020 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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



HSBC Cash Fund

An Open ended Liquid Scheme

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

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

TRUSTEE

Board of Trustees

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

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

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

CUSTODIAN

Standard Chartered Bank (SCB)

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

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

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

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

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

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

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

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

a. Operations and Performance of the Schemes

HSBC Cash Fund (HCF)

(An open-ended Liquid Scheme)

HCF seeks to provide reasonable returns, commensurate with low risk while providing a high level of liquidity, through a portfolio of money market and debt securities. However, there can be no assurance that the Scheme's objective can be realized.

The net assets of HCF amounted to Rs. 3,368.55 crores as at March 31, 2021 as compared to Rs. 3,833.3 crores as at March 31, 2020. The entire net asset remains invested in debt and money market instruments including reverse repos/TREPS as at March 31, 2021.

HCF is governed by Internal Global Liquidity Guidelines which are conservative even when compared to SEBI guidelines. Also our investments were made in Long term AAA credits and with higher allocation to Treasury Bills. This led to marginal lower performance than the benchmark.

Date of Inception : 4 December, 2002	Simple Annualized Returns (%)				Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	Last 7 Days as on 31 March 2021	Last 15 Days as on 31 March 2021	Last 30 Days as on 31 March 2021	1 Year	3 Years	5 Years	Since Inception
HSBC Cash Fund – Growth	3.53	3.66	3.25	3.50	5.69	6.21	7.48
CRISIL Liquid Fund Index (Scheme Benchmark)	3.69	3.94	3.61	4.07	6.01	6.40	7.51
CRISIL 91 Day T-Bill Index (Standard Benchmark)	4.40	3.66	2.98	3.76	5.68	6.02	7.13
CRISIL 1 Year T-Bill Index)* (Standard Benchmark)	3.92	4.13	4.48	4.66	6.48	6.50	7.04
Rs. 10,000, if invested in HCF, would have become	10,007	10,015	10,027	10,350	11,813	13,518	20,386
Rs. 10,000, if invested in CRISIL Liquid Fund Index, would have become	10,007	10,016	10,027	10,407	11,921	13,639	20,442
Rs. 10,000, if invested in CRISIL 91 Day T-Bill Index, would have become	10,008	10,015	10,025	10,376	11,810	13,397	19,740
Rs. 10,000, if invested in CRISIL 1 Year T-Bill Index, would have become	10,008	10,017	10,037	10,466	12,112	13,734	19,572

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

*Additional benchmark as per SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

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

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

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

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during

Trustees' Report

For the year ended March 31, 2021 (Contd...)

the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive

Trustees' Report

For the year ended March 31, 2021 (Contd...)

measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FII Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FII and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72

Trustees' Report

For the year ended March 31, 2021 (Contd...)

at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FII flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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

a. Sponsor

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

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

b. HSBC Mutual Fund

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

Trustees' Report

For the year ended March 31, 2021 (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 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

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

3. INVESTMENT OBJECTIVE OF THE SCHEMES

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Cash Fund	21,449.69	15	646,209.73	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 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a

Trustees' Report

For the year ended March 31, 2021 (Contd...)

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

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Com- plaint Code	Type of complaint#	(a) No. of complaints pending at the begin- ning of the year	(b) No. of Com- plaints received during the year	Action on (a) and (b)								
				Resolved				Non Action- able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

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

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

8. INVESTOR EDUCATION INITIATIVES

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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

- c) 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 2021

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 2021 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 December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Cash Fund	Low to Moderate	Low to Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
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, 2021 (Contd...)

13. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Cash Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Cash Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSSBC Mutual Fund (the 'Trustee') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme 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 (the 'Regulations') and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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

Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADI2930

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	171,256.72	217,129.00
2 Reserves & Surplus		
2.1 Unit Premium Reserves	1,185.06	1,262.11
2.2 Unrealised Appreciation Reserve	35.36	—
2.3 Other Reserves	164,379.77	164,945.21
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	356.79	1,168.25
TOTAL	337,213.70	384,504.57
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	—	—
1.1.2 Preference Shares	—	—
1.1.3 Equity Linked Debentures	—	—
1.1.4 Other Debentures & Bonds	13,807.70	5,012.22
1.1.5 Securitised Debt Securities	—	—
1.2 Securities Awaited Listing:		
1.2.1 Equity Shares	—	—
1.2.2 Preference Shares	—	—
1.2.3 Equity Linked Debentures	—	—
1.2.4 Other Debentures & Bonds	—	—
1.2.5 Securitised Debt Securities	—	—
1.3 Unlisted Securities:		
1.3.1 Equity Shares	—	—
1.3.2 Preference Shares	—	—
1.3.3 Equity Linked Debentures	—	—
1.3.4 Other Debentures & Bonds	—	—
1.3.5 Securitised Debt Securities	—	—
1.4 Government Securities	—	—
1.5 Treasury Bills	111,331.50	—
1.6 Commercial Paper	159,462.73	268,120.17
1.7 Certificate of Deposits	35,768.87	69,455.00
1.8 Bill Rediscounting	—	—
1.9 Units of Domestic Mutual Fund	—	—
1.10 Foreign Securities	—	—
Total Investments	320,370.80	342,587.39
2 Deposits	17.96	19.06
3 Other Current Assets		
3.1 Cash & Bank Balance	5.54	877.10
3.2 TREPS / Reverse Repo Lending	15,968.58	40,681.06
3.3 Others	850.82	339.96
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	337,213.70	384,504.57

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1 INCOME		
1.1 Dividend	-	-
1.2 Interest	14,246.25	36,386.07
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	(453.93)	(63.69)
1.6 Realised Gains / (Losses) on Derivative Transactions	-	-
1.7 Other Income	14.08	5.19
(A)	13,806.40	36,327.57
2 EXPENSES		
2.1 Investment Management Fees	296.11	409.35
2.2 GST on Investment Management Fees	53.30	73.68
2.3 Transfer Agents Fees and Expenses	58.11	102.53
2.4 Custodian Fees	6.40	14.84
2.5 Trusteeship Fees	2.69	5.39
2.6 Commission to Agents	56.25	70.07
2.7 Marketing & Distribution Expenses	1.35	2.05
2.8 Audit Fees	5.05	5.55
2.9 Investor Education Expenses	92.31	144.42
2.10 Interest on Borrowing	-	72.21
2.11 Other Operating Expenses	20.85	36.05
(B)	592.42	936.14
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	13,213.98	35,391.43
4 Change in Unrealised Depreciation in Value of Investments	(D) 43.84	(45.48)
5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	13,257.82	35,345.95
6 Change in Unrealised Appreciation in Value of Investments	(F) 35.36	(169.91)
7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	13,293.18	35,176.04
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	-	169.91
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	(35.36)	-
7.3 Add / (Less) : Equalisation	(12,944.92)	21,396.85
7.4 Transfer from Reserve Fund	164,945.21	116,015.85
7.5 Transfer from Unit Premium Reserve	-	-
8 Total	165,258.11	172,758.65
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(878.34)	(5,368.13)
9.2 Tax on Income Distributed during the Year	-	(2,445.31)
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	164,379.77	164,945.21

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Growth Option #	2,901.3056	2,756.9283
Regular Daily IDCW Option #	1,019.3000	1,019.6575
Regular Weekly IDCW Option #	1,003.2619	1,002.9750
Institutional Daily IDCW Option ^	1,456.5378	1,375.0971
Institutional Plus Growth Option ^	1,969.4131	1,856.4117
Institutional Plus Daily IDCW Option ^	1,000.9969	1,001.3031
Institutional Plus Weekly IDCW Option ^	1,112.7068	1,112.1852
Institutional Plus Monthly IDCW Option ^	1,004.8499	1,002.1446
Direct Plan - Growth Option	1,977.4898	1,862.3266
Direct Plan - Daily IDCW Option	1,000.9401	1,001.2493
Direct Plan - Weekly IDCW Option	1,124.9161	1,121.2660
Direct Plan - Monthly IDCW Option	1,042.0896	1,039.6886
Unclaimed IDCW less than 3 yrs	1,286.7035	1,216.5727
Unclaimed IDCW more than 3 yrs	1,000.0000	1,000.3782
Unclaimed Redemption less than 3 yrs	1,286.7035	1,216.5727
Unclaimed Redemption more than 3 yrs	1,000.0000	1,000.3782
High		
Regular Growth Option #	2,979.2502	2,901.3056
Regular Daily IDCW Option #	1,019.3000	1,019.3000
Regular Weekly IDCW Option #	1,001.2590	1,003.3808
Institutional Daily IDCW Option #	1,505.3734	1,456.5378
Institutional Plus Growth Option ^	2,038.4176	1,969.4131
Institutional Plus Daily IDCW Option ^	1,001.0316	1,000.9969
Institutional Plus Weekly IDCW Option ^	1,108.7399	1,112.7068
Institutional Plus Monthly IDCW Option ^	1,009.0001	1,007.0469
Direct Plan - Growth Option	2,048.8138	1,977.4898
Direct Plan - Daily IDCW Option	1,000.9401	1,000.9401
Direct Plan - Weekly IDCW Option	1,154.2643	1,124.9161
Direct Plan - Monthly IDCW Option	1,046.4690	1,044.7143
Unclaimed IDCW less than 3 yrs	1,327.8942	1,286.7035
Unclaimed IDCW more than 3 yrs	1,000.0000	1,000.0000
Unclaimed Redemption less than 3 yrs	1,327.8942	1,286.7035
Unclaimed Redemption more than 3 yrs	1,000.0000	1,000.0000

Key Statistics for the year ended March 31, 2021 *(Contd...)*

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Low		
Regular Growth Option #	2,901.9572	2,757.4120
Regular Daily IDCW Option #	1,019.2562	1,016.3625
Regular Weekly IDCW Option #	1,000.2032	998.6777
Institutional Daily IDCW Option #	1,456.9153	1,375.3629
Institutional Plus Growth Option ^	1,969.9410	1,856.7810
Institutional Plus Daily IDCW Option ^	1,000.9969	998.2622
Institutional Plus Weekly IDCW Option ^	1,107.4506	1,107.4561
Institutional Plus Monthly IDCW Option ^	1,000.9760	1,000.7665
Direct Plan - Growth Option	1,978.0306	1,862.7002
Direct Plan - Daily IDCW Option	1,000.9215	998.2255
Direct Plan - Weekly IDCW Option	1,125.2237	1,119.5856
Direct Plan - Monthly IDCW Option	1,037.9174	1,037.9233
Unclaimed IDCW less than 3 yrs	1,287.0277	1,216.8028
Unclaimed IDCW more than 3 yrs	999.9708	997.2135
Unclaimed Redemption less than 3 yrs	1,287.0277	1,216.8028
Unclaimed Redemption more than 3 yrs	999.9708	997.2135
End		
Regular Growth Option #	2,979.2502	2,901.3056
Regular Daily IDCW Option #	1,019.3000	1,019.3000
Regular Weekly IDCW Option #	1,000.3216	1,003.2619
Institutional Daily IDCW Option #	1,505.3734	1,456.5378
Institutional Plus Growth Option ^	2,038.4176	1,969.4131
Institutional Plus Daily IDCW Option ^	1,001.0316	1,000.9969
Institutional Plus Weekly IDCW Option ^	1,107.5817	1,112.7068
Institutional Plus Monthly IDCW Option ^	1,002.1473	1,004.8499
Direct Plan - Growth Option	2,048.8138	1,977.4898
Direct Plan - Daily IDCW Option	1,000.9401	1,000.9401
Direct Plan - Weekly IDCW Option	1,153.5351	1,124.9161
Direct Plan - Monthly IDCW Option	1,038.5039	1,042.0896
Unclaimed IDCW less than 3 yrs	1,327.8942	1,286.7035
Unclaimed IDCW more than 3 yrs	1,000.0000	1,000.0000
Unclaimed Redemption less than 3 yrs	1,327.8942	1,286.7035
Unclaimed Redemption more than 3 yrs	1,000.0000	1,000.0000

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
2. Closing Assets Under Management (Rs. in Lakhs)		
End	336,855	383,330
Average (AAuM) ¹	376,711	589,543
3. Gross income as % of AAuM ²	3.66%	6.16%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Plan #	1.01%	1.01%
Institutional Plan #	0.36%	0.36%
Institutional Plus Plan ^	0.22%	0.20%
Direct Plan	0.12%	0.11%
Unclaimed	0.51%	0.51%
b. Management Fee as % of AAuM (planwise)		
Regular Plan #	0.06%	0.06%
Institutional Plan #	0.07%	0.06%
Institutional Plus Plan ^	0.11%	0.10%
Direct Plan	0.06%	0.06%
Unclaimed	0.07%	0.06%
5. Net Income as a percentage of AAuM ³	3.51%	6.00%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Daily IDCW Option #	27.0240	37.7391
Regular Weekly IDCW Option #	26.4361	38.8286
Institutional Plus Daily IDCW Option ^	34.4407	42.8311
Institutional Plus Weekly IDCW Option ^	38.0278	50.7045
Institutional Plus Monthly IDCW Option ^	37.2475	40.7629
Direct Plan - Daily IDCW Option	35.4448	43.4766
Direct Plan - Weekly IDCW Option	11.8399	45.7874
Direct Plan - Monthly IDCW Option	40.4140	43.2409
Corporate		
Regular Daily IDCW Option #	27.0240	34.9466
Regular Weekly IDCW Option #	26.4361	35.9555
Institutional Plus Daily IDCW Option ^	34.4407	39.6617
Institutional Plus Weekly IDCW Option ^	38.0278	46.9526
Institutional Plus Monthly IDCW Option ^	37.2475	37.7466
Direct Plan - Daily IDCW Option	35.4448	40.2595
Direct Plan - Weekly IDCW Option	11.8399	42.3994
Direct Plan - Monthly IDCW Option	40.4140	40.0413

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option #	N.A.	5.2304
Institutional Growth Option #	N.A.	N.A.
Institutional Plus Growth Option ^	3.5000	6.0800
Direct Plan - Growth Option	3.6100	6.1700
Benchmark		
CRISIL Liquid Fund Index	4.0700	6.3700
b. Since Inception		
Scheme		
Regular Growth Option #	N.A.	6.3400
Institutional Growth Option #	N.A.	N.A.
Institutional Plus Growth Option ^	7.4800	7.9400
Direct Plan - Growth Option	7.3000	7.8200
Benchmark		
CRISIL Liquid Fund Index	7.5100	7.9000

Plans Discontinued for fresh subscription

^ Institutional Plus plan is (Regular continue Plan) available for fresh subscription w.e.f. October 01, 2012.

1. AAuM = Average daily net assets

2. Gross income = amount against (A) in the Revenue account i.e. Income

3. Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the year

4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open position of Securities Borrowed and / or Lent by the scheme as of financial years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years March 31, 2021 and March 31, 2020 are as under:

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed/Awaiting Listing				
– Appreciation	–	–	–	–
– Depreciation	164,344	~0.00	723,500	~0.00
Certificates of Deposit/Commercial Paper				
– Appreciation	2,638,731	0.01	6,448,520	0.02
– Depreciation	2,900	~0.00	10,272,970	0.03
Treasury Bills				
– Appreciation	912,876	~0.00	–	–
– Depreciation	12,700	~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 2020-21 (excluding accretion of discount) are Rs. 284,263,336,493 and Rs. 287,650,655,080 respectively being 754.59% and 763.58% of the average daily net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 450,665,811,711 and Rs. 461,634,046,051 respectively being 764.43% and 783.04% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 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
	2021		2020	
Debt Instruments	572,987,100	1.70%	501,222,500.00	1.31%
Money Market Instruments	19,523,158,500	57.96%	30,266,814,960	78.96%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	692.51	3.04	2,525,595	48.67

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	1,125.66	0.83	2,879,357	47.01

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL).

The brokerage paid was at rates similar to those offered to other distributors. And the Commission/ Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
- Devolvement - Nil (Previous year also Nil).
- Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
- Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous year also Nil).

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021**

- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020** :

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option#	9,599.735	–	60.538	9,539.197	1,000
Regular Daily IDCW Option#	49,401.626	–	6,505.174	42,896.452	1,000
Regular Weekly IDCW Option#	35,993.439	–	30,373.085	5,620.354	1,000
Institutional Daily IDCW Option^	38.218	–	–	38.218	1,000
Institutional Plus Growth Option^	5,613,444.671	15,107,306.816	16,719,084.617	4,001,666.870	1,000
Institutional Plus Daily IDCW Option^	2,300,723.750	422,347.817	1,748,807.948	974,263.618	1,000
Institutional Plus Weekly IDCW Option^	252,518.407	102,791.418	226,430.254	128,879.571	1,000
Institutional Plus Monthly IDCW Option^	214,258.406	37,904.766	203,333.781	48,829.391	1,000
Direct Plan - Growth Option	11,376,199.884	97,081,647.465	96,672,855.054	11,784,992.295	1,000
Direct Plan - Daily IDCW Option	1,782,523.631	1,436,057.066	3,175,005.568	43,575.129	1,000
Direct Plan - Weekly IDCW Option	472.467	2,414.590	1,793.256	1,093.801	1,000
Direct Plan - Monthly IDCW Option	2,246.982	670.954	1,436.288	1,481.648	1,000
Unclaimed Plan- IDCW less than 3 years	15,741.498	4,682.975	4,304.587	16,119.886	1,000
Unclaimed Plan- IDCW more than 3 years	18,708.797	4,621.546	1,650.575	21,679.768	1,000
Unclaimed Plan- Redemption less than 3 years	9,853.815	8,326.084	5,675.829	12,504.070	1,000
Unclaimed Plan- Redemption more than 3 years	31,174.859	2,352.833	1,035.936	32,491.756	1,000

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021**

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option [#]	10,308.690	–	708.955	9,599.735	1,000
Regular Daily IDCW Option [#]	62,560.598	–	13,158.972	49,401.626	1,000
Regular Weekly IDCW Option [#]	37,399.791		1,406.352	35,993.439	1,000
Institutional Growth Option [^]	–	–	–	–	1,000
Institutional Daily IDCW Option [^]	38.218	–	–	38.218	1,000
Institutional Plus Growth Option [^]	8,033,845.312	44,558,629.290	46,979,029.931	5,613,444.671	1,000
Institutional Plus Daily IDCW Option [^]	4,294,288.767	5,816,362.357	7,809,927.374	2,300,723.750	1,000
Institutional Plus Weekly IDCW Option [^]	436,745.443	1,590,272.137	1,774,499.173	252,518.407	1,000
Institutional Plus Monthly IDCW Option [^]	364,758.553	418,885.585	569,385.732	214,258.406	1,000
Direct Plan - Growth Option	5,538,220.212	612,903,705.108	607,065,725.436	11,376,199.884	1,000
Direct Plan - Daily IDCW Option	5,681,394.348	97,299,978.076	101,198,848.793	1,782,523.631	1,000
Direct Plan - Weekly IDCW Option	27,866.581	180,090.414	207,484.528	472.467	1,000
Direct Plan - Monthly IDCW Option	1,736.803	176,522.048	176,011.869	2,246.982	1,000
Unclaimed Plan-IDCW less than 3 years	15,372.898	6,597.032	6,228.432	15,741.498	1,000
Unclaimed Plan-IDCW more than 3 years	16,112.940	4,149.201	1,553.344	18,708.797	1,000
Unclaimed Plan-Redemption less than 3 years	12,306.719	8,171.236	10,624.140	9,853.815	1,000
Unclaimed Plan-Redemption more than 3 years	26,334.770	5,790.281	950.192	31,174.859	1,000

** Units held by the AMC in Direct Plan Growth Option as on 31/03/2021 is 328,226.120 & as on 31/03/2020 is 472,072.660.

[#] Plans Discontinued for fresh subscription.

[^] Institutional Plus plan is (Regular continue Plan) available for fresh subscription w.e.f. October 01, 2012.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 5 Previous year's figures have been re-grouped / re-arranged where appropriate
- 6 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other Income :- Rs. 1,408,353 represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS / NEFT. (2020: 518,543 /- represents compensation paid by AMC).

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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

10 Borrowings

Details of Outstanding Borrowing Liability are as follows: -

March 31, 2021				
Name of the Scheme	Date of Borrowing	Amount Borrowed (INR crores)	Rate of Interest	Source
Nil				

March 31, 2020				
Name of the Scheme	Date of Borrowing	Amount Borrowed (INR crores)	Rate of Interest	Source
HSBC Cash Fund	18-Apr-19	250.36	6.00%	Borrowing in TREPS Segment
HSBC Cash Fund	02-May-19	122.13	5.73%	Borrowing in TREPS Segment
HSBC Cash Fund	22-May-19	175.42	5.93%	Borrowing in TREPS Segment
HSBC Cash Fund	28-Jun-19	280.06	5.94%	Borrowing in TREPS Segment
HSBC Cash Fund	11-Jul-19	238.56	5.58%	Borrowing in TREPS Segment
HSBC Cash Fund	31-Jul-19	129.88	5.63%	Borrowing in TREPS Segment
HSBC Cash Fund	31-Dec-19	219.17	4.60%	Borrowing in TREPS Segment
HSBC Cash Fund	14-Feb-20	478.05	5.10%	Borrowing in TREPS Segment
HSBC Cash Fund	17-Feb-20	271.96	4.75%	Borrowing in TREPS Segment
HSBC Cash Fund	19-Mar-20	193.85	6.06%	Borrowed from Bank
HSBC Cash Fund	26-Mar-20	96.65	7.95%	Borrowed from Bank

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

As per Regulation 44(2) of SEBI (Mutual Funds) Regulations, 1996, mutual funds are permitted to borrow only to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of dividend etc. AMFI vide its Best Practice guidelines circular no. 71/2017-18 dated Mar 23, 2018 recommended that cost of borrowing made to manage redemptions to the extent of YTM/running yield of the fund as on previous day should be charged to the scheme and any excess cost over YTM/running yield of the previous day may be borne by the AMC. Accordingly AMC has borne Rs 1,00,377/-.

HSBC Mutual fund has adhered to the recommended practice from the date of the AMFI circular.

11 Garnishee Notice from Income Tax Authorities

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores.

Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year.

Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT.

The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th Feb 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter is scheduled on September 24, 2021.

- 12** Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

13 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
HSBC Cash Fund	Low to Moderate	Low to Moderate	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

- 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** The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



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

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not need step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Ultra Short Duration Fund (HUSDF)®

(An Open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months)

HUSDF seeks to provide liquidity and generate reasonable returns with low volatility through investment in a portfolio comprising of debt & money market instruments. However, there is no assurance that the investment objective of the scheme will be achieved.

The net assets of HSBC Ultra Short Duration Fund amounted to Rs. 583.00 crores as at March 31, 2021 as compared to Rs. 475.75 crores as at March 31, 2020. The entire net assets were invested in debt and money market instruments as at March 31, 2021. The scheme was launched on January 29, 2020.

HUSTBF underperformed its benchmark due to conservative investments and limiting overall investment tenor up to 1 year. HUSTF exposure being only on long term AAA rated credit led to underperformance versus index.

Date of Inception : 29 January 2020	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Ultra Short Duration Fund - Growth	4.87	NA	NA	4.94
CRISIL Ultra Short Term Debt Index (Scheme Benchmark)	5.41	NA	NA	5.62
NIFTY Ultra Short Duration Debt Index (Standard Benchmark)	4.91	NA	NA	5.10
CRISIL 1 Year T-Bill Index (Standard Benchmark)*	4.66	NA	NA	5.39
Rs. 10,000, if invested in HUSDF, would have become	10,487	NA	NA	10,580
Rs. 10,000, if invested in CRISIL Ultra Short Term Debt Index, would have become	10,541	NA	NA	10,661
Rs. 10,000, if invested in NIFTY Ultra Short Duration Debt Index, would have become	10,491	NA	NA	10,599
Rs. 10,000, if invested in CRISIL 1 Year T-Bill Index, would have become	10,466	NA	NA	10,635

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2021 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

[^]Source: Bloomberg (Above table values are for total return indices)

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness

Trustees' Report

For the year ended March 31, 2021 (Contd...)

an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted

Trustees' Report

For the year ended March 31, 2021 (Contd...)

INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows were ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the

Trustees' Report

For the year ended March 31, 2021 (Contd...)

non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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, 2021 (Contd...)

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Ultra Short Duration Fund	Nil	Nil	6,022.36	1

6. INVESTOR SERVICES

The number of official points of acceptance of transactions is 204 locations. In addition to the offices of the Registrar & Transfer agents, the AMC has Investor Service Centers in 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434 /1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

** As per AMFI Best Practice Guidelines Circular No. 25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2021 (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 Advissorkhoj 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Ultra Short Duration Fund	Low to Moderate	Low to Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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	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, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
	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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Ultra Short Duration Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Ultra Short Duration Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustee') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations of the Scheme 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 (the 'Regulations') and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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

Independent Auditors' Report (Contd...)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADG7381

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	62,341.02	52,862.56
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(55.35)	0.65
2.2 Unrealised Appreciation Reserve	33.20	–
2.3 Other Reserves	3,671.51	404.57
3 Loans & Borrowings	–	–
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	–	–
4.2 Other Current Liabilities & Provisions	99.97	740.17
TOTAL	66,090.35	54,007.95
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	–	–
1.1.2 Preference Shares	–	–
1.1.3 Equity Linked Debentures	–	–
1.1.4 Other Debentures & Bonds	17,818.50	10,080.26
1.1.5 Securitised Debt Securities	–	–
1.2 Securities Awaited Listing:		
1.2.1 Equity Shares	–	–
1.2.2 Preference Shares	–	–
1.2.3 Equity Linked Debentures	–	–
1.2.4 Other Debentures & Bonds	–	–
1.2.5 Securitised Debt Securities	–	–
1.3 Unlisted Securities:		
1.3.1 Equity Shares	–	–
1.3.2 Preference Shares	–	–
1.3.3 Equity Linked Debentures	–	–
1.3.4 Other Debentures & Bonds	–	–
1.3.5 Securitised Debt Securities	–	–
1.4 Government Securities	7,962.97	–
1.5 Treasury Bills	–	–
1.6 Commercial Paper	19,651.13	19,345.56
1.7 Certificate of Deposits	11,283.06	22,650.43
1.8 Bill Rediscounting	–	–
1.9 Units of Domestic Mutual Fund	–	–
1.10 Foreign Securities	–	–
Total Investments	56,715.66	52,076.25
2 Deposits	8.25	3.71
3 Other Current Assets		
3.1 Cash & Bank Balance	501.41	1,150.60
3.2 TREPS / Reverse Repo Lending	8,005.97	602.19
3.3 Others	859.06	175.20
4 Deferred Revenue Expenditure (to the extent not written off)	–	–
TOTAL	66,090.35	54,007.95

Notes to Accounts - Annexure I

Abridged Revenue Account for the Year ended March 31, 2021

Rs. in Lakhs

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1 INCOME		
1.1 Dividend	—	—
1.2 Interest	2,987.60	855.86
1.3 Realised Gain / (Loss) on Foreign Exchange Transactions	—	—
1.4 Realised Gains / (Losses) on Interscheme Sale of Investments	—	—
1.5 Realised Gains / (Losses) on External Sale / Redemption of Investments	(115.82)	(156.86)
1.6 Realised Gains / (Losses) on Derivative Transactions	—	—
1.7 Other Income	0.98	—
(A)	2,872.76	699.00
2 EXPENSES		
2.1 Investment Management Fees	90.86	19.19
2.2 GST on Investment Management Fees	16.35	3.45
2.3 Transfer Agents Fees and Expenses	21.28	6.07
2.4 Custodian Fees	2.99	0.72
2.5 Trusteeship Fees	0.68	0.16
2.6 Commission to Agents	51.05	9.36
2.7 Marketing & Distribution Expenses	0.38	0.02
2.8 Audit Fees	1.37	1.09
2.9 Investor Education Expenses	11.51	2.92
2.10 Interest on Borrowing	—	—
2.11 Other Operating Expenses	5.36	1.87
(B)	201.83	44.85
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR	(C = A - B) 2,670.93	654.15
4 Change in Unrealised Depreciation in Value of Investments	(D) 29.73	(134.86)
5 NET GAINS / (LOSSES) FOR THE YEAR	(E = C + D) 2,700.66	519.29
6 Change in Unrealised Appreciation in Value of Investments	(F) 33.20	—
7 NET SURPLUS / (DEFICIT) FOR THE YEAR	(G = E + F) 2,733.86	519.29
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	—	—
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	(33.20)	—
7.3 Add / (Less) : Equalisation	707.94	(23.24)
7.4 Transfer from Reserve Fund	404.57	—
7.5 Transfer from Unit Premium Reserve	—	—
8 Total	3,813.17	496.05
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(141.66)	(65.32)
9.2 Tax on Income Distributed during the Year	—	(26.16)
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	3,671.51	404.57

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Growth Option	1,008.8735	—
Regular Daily IDCW Option	1,001.0845	—
Regular Weekly IDCW Option	1,002.5875	—
Regular Monthly IDCW Option	1,004.9257	—
Direct Plan - Growth Option	1,009.3086	—
Direct Plan - Daily IDCW Option	1,001.7122	—
Direct Plan - Weekly IDCW Option	1,002.9587	—
Direct Plan - Monthly IDCW Option	1,005.1883	—
High		
Regular Growth Option	1,057.9746	1,008.8735
Regular Daily IDCW Option	1,026.9009	1,001.0845
Regular Weekly IDCW Option	1,026.0462	1,002.5875
Regular Monthly IDCW Option	1,023.4323	1,004.9257
Direct Plan - Growth Option	1,061.2015	1,009.3086
Direct Plan - Daily IDCW Option	1,036.4393	1,001.7122
Direct Plan - Weekly IDCW Option	1,009.8200	1,002.9587
Direct Plan - Monthly IDCW Option	1,012.7936	1,005.1883
Low		
Regular Growth Option	1,009.5552	997.1914
Regular Daily IDCW Option	1,000.4081	991.3467
Regular Weekly IDCW Option	1,000.2343	990.9783
Regular Monthly IDCW Option	1,003.5698	993.2893
Direct Plan - Growth Option	1,010.0114	997.5738
Direct Plan - Daily IDCW Option	1,001.6097	991.4000
Direct Plan - Weekly IDCW Option	1,001.6847	991.2980
Direct Plan - Monthly IDCW Option	1,003.1462	993.5015
End		
Regular Growth Option	1,057.9746	1,008.8735
Regular Daily IDCW Option	1,026.9009	1,001.0845
Regular Weekly IDCW Option	1,025.0560	1,002.5875
Regular Monthly IDCW Option	1,019.9867	1,004.9257
Direct Plan - Growth Option	1,061.2015	1,009.3086
Direct Plan - Daily IDCW Option	1,036.4393	1,001.7122
Direct Plan - Weekly IDCW Option	1,008.6782	1,002.9587
Direct Plan - Monthly IDCW Option	1,009.1453	1,005.1883

Key Statistics for the period ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
2. Closing Assets Under Management (Rs. in Lakhs)		
End	58,300	47,575
Average (AAuM) ¹	57,559	84,738
3. Gross income as % of AAuM ² *	4.99%	4.79%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.48%	0.47%
Direct Plan - Growth Option	0.22%	0.22%
b. Management Fee as % of AAuM (planwise)*		
Regular Growth Option	0.19%	0.17%
Direct Plan - Growth Option	0.13%	0.11%
5. Net Income as a percentage of AAuM ³ *	4.64%	4.48%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Daily IDCW Option	22.3387	5.5895
Regular Weekly IDCW Option	23.4845	6.1425
Regular Monthly IDCW Option	33.1821	2.8316
Direct Plan - Daily IDCW Option	16.1556	5.4467
Direct Plan - Weekly IDCW Option	43.6056	5.4370
Direct Plan - Monthly IDCW Option	46.6601	2.9533
Corporate		
Regular Daily IDCW Option	22.3387	5.1759
Regular Weekly IDCW Option	23.4845	5.6880
Regular Monthly IDCW Option	33.1821	2.6221
Direct Plan - Daily IDCW Option	16.1556	5.0437
Direct Plan - Weekly IDCW Option	43.6056	5.0347
Direct Plan - Monthly IDCW Option	46.6601	2.7348
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option	4.8700	N.A
Direct Plan - Growth Option	5.1400	N.A
Benchmark		
CRISIL Ultra Short Term Debt Index	5.4100	N.A

Key Statistics for the period ended March 31, 2021 (Contd...)

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
b. Since Inception		
Scheme		
Regular Growth Option	4.9400	0.89% ^{Y/Y}
Direct Plan - Growth Option	5.2100	0.93% ^{Y/Y}
Benchmark		
CRISIL Ultra Short Term Debt Index	5.6200	1.14% ^{Y/Y}

^{Y/Y} Since scheme has not completed one year since inception scheme & benchmark returns are absolute returns.

* 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 period ended March 31, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 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
	2021		2020	
Non Convertible Debentures and Bonds Listed/Awaiting Listing				
– Appreciation	129,748	~0.00	–	–
– Depreciation	10,287,783	0.18	1,491,750	0.03
Certificates of Deposit/Commercial Paper				
– Appreciation	3,319,554	0.06	1,485,004	0.03
– Depreciation	–	–	13,478,934	0.28
Government Securities				
– Appreciation	–	–	–	–
– Depreciation	354,287	0.01	–	–

~ Indicates less than 0.01

- 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-21 (excluding accretion of discount) are Rs.17,436,787,007 and Rs.17,162,277,038 respectively being 302.94% and 298.17% of the average daily net assets.

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 15,593,920,000 and Rs. 10,423,032,650 respectively being 1069.09% and 714.59% of the average daily net assets..

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021

- 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
	2021		2020	
Debt Instruments	1,781,850,350	30.56%	503,209,750	10.58%
Money market Instruments	3,093,418,000	53.06%	4,199,599,050	88.27%
Total	4,875,268,350	83.62%	4,702,808,800	98.85%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	510.07	31.14	3,555,047	76.31

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	430.84	35.63	35,099	42.89

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL).

The brokerage paid was at rates similar to those offered to other distributors. And the Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
- Devolvement - Nil (Previous year also Nil).
- Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
- Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
- Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous Year also Nil).

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021

- 3 None of the Investors held more than 25% of the total net assets of the scheme at the years ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020 **:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option	2,162,450.861	5,776,766.591	5,731,995.087	2,207,222.365	1,000
Regular Daily IDCW Option	580,551.571	66,130.962	566,276.927	80,405.606	1,000
Regular Weekly IDCW Option	101,212.873	116,625.376	180,924.741	36,913.508	1,000
Regular Monthly IDCW Option	238,596.879	120,019.935	229,085.469	129,531.345	1,000
Direct Plan - Growth Option	2,069,535.715	9,642,198.979	7,932,618.440	3,779,116.254	1,000
Direct Plan - Daily IDCW Option	132,988.667	1,967.725	134,935.955	20.437	1,000
Direct Plan - Weekly IDCW Option	40.211	12.137	26.125	26.223	1,000
Direct Plan - Monthly IDCW Option	879.058	35.064	48.070	866.052	1,000

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option	–	2,797,797.125	635,346.264	2,162,450.861	1,000
Regular Daily IDCW Option	–	1,045,763.484	465,211.913	580,551.571	1,000
Regular Weekly IDCW Option	–	274,973.657	173,760.784	101,212.873	1,000
Regular Monthly IDCW Option	–	304,116.106	65,519.227	238,596.879	1,000
Direct Plan - Growth Option	–	7,520,563.224	5,451,027.509	2,069,535.715	1,000
Direct Plan - Daily IDCW Option	–	132,990.167	1.500	132,988.667	1,000
Direct Plan - Weekly IDCW Option	–	40.211	–	40.211	1,000
Direct Plan - Monthly IDCW Option	–	879.058	–	879.058	1,000

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2021 is 5,000.000 and as on March 31, 2020 is 5,000.000.

- 5 Previous year figures have been re-grouped/re-arranged where necessary.
- 6 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the period ended March 31, 2021

- 8 Other Income of Rs. 97,809 represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT (2020 :- Rs. Nil).

9 Investor Education Awareness

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Ultra Short Duration Fund	Low to Moderate	Low to Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir/8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2019 – 20 is forming part of our full Annual Report for the Financial Year 2019 – 20 which is uploaded on our website at <http://www.assetmanagement.hsbc.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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



HSBC Overnight Fund

Overnight fund – An open ended debt scheme investing in overnight securities

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Overnight Fund (HOF)

(An open ended debt scheme investing in overnight securities)

HOF seeks to offer reasonable returns commensurate with low risk and high degree of liquidity through investments in overnight securities. However, there is no assurance that the investment objective of the Scheme will be achieved.

The net assets of HOF amounted to Rs. 354.48 crores as at March 31, 2021 as compared to Rs. 286.74 crores as at March 31, 2020. The entire net asset remains invested in debt and money market instruments including reverse repos/TREPS as at March 31, 2021. The scheme was launched on May 22, 2019.

HOF performed marginally lower than its benchmark due to conservative investments and the focus being only on overnight market i.e. TREPS and CROMS.

Date of Inception : 22 May 2019	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Overnight Fund – Growth	2.96	NA	NA	3.86
CRISIL Overnight Index (Scheme Benchmark)	3.08	NA	NA	4.02
Nifty 1D Rate Index (Standard Benchmark)	3.08	NA	NA	4.02
CRISIL 1 Year T-Bill Index (Standard Benchmark)*	4.66	NA	NA	6.05
Rs. 10,000, if invested in HOF, would have become	10,296	NA	NA	10,730
Rs. 10,000, if invested in CRISIL Overnight Index, would have become	10,308	NA	NA	10,761
Rs. 10,000, if invested in Nifty 1D Rate Index, would have become	10,308	NA	NA	10,761
Rs. 10,000, if invested in CRISIL 1 Year T-Bill Index, would have become	10,466	NA	NA	11,156

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2021 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DIs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

[^]Source: Bloomberg (Above table values are for total return indices)

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second

Trustees' Report

For the year ended March 31, 2021 (Contd...)

wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid –Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by

Trustees' Report

For the year ended March 31, 2021 (Contd...)

only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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, 2021 (Contd...)

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2021:

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 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434 / 1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

Trustees' Report

For the year ended March 31, 2021 (Contd...)

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

** As per AMFI Best Practice Guidelines Circular No. 25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2021 (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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Overnight Fund	Low	Low	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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	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, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non - compliance, if any
	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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Overnight Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Overnight Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSSBC Mutual Fund (the 'Trustee') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations of the Scheme 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 (the 'Regulations') and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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;

Independent Auditors' Report (Contd...)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAADH9966

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	33,036.08	27,523.96
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(0.05)	(0.09)
2.2 Unrealised Appreciation Reserve	—	—
2.3 Other Reserves	2,412.14	1,150.46
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	43.67	99.26
TOTAL	35,491.84	28,773.59
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	—	—
1.1.2 Preference Shares	—	—
1.1.3 Equity Linked Debentures	—	—
1.1.4 Other Debentures & Bonds	—	—
1.1.5 Securitised Debt Securities	—	—
1.2 Securities Awaited Listing:		
1.2.1 Equity Shares	—	—
1.2.2 Preference Shares	—	—
1.2.3 Equity Linked Debentures	—	—
1.2.4 Other Debentures & Bonds	—	—
1.2.5 Securitised Debt Securities	—	—
1.3 Unlisted Securities:		
1.3.1 Equity Shares	—	—
1.3.2 Preference Shares	—	—
1.3.3 Equity Linked Debentures	—	—
1.3.4 Other Debentures & Bonds	—	—
1.3.5 Securitised Debt Securities	—	—
1.4 Government Securities	—	—
1.5 Treasury Bills	—	—
1.6 Commercial Paper	—	—
1.7 Certificate of Deposits	—	—
1.8 Bill Rediscounting	—	—
1.9 Units of Domestic Mutual Fund	—	—
1.10 Foreign Securities	—	—
Total Investments	—	—
2 Deposits	155.00	5.00
3 Other Current Assets		
3.1 Cash & Bank Balance	0.39	30.01
3.2 TREPS / Reverse Repo Lending	35,333.08	28,738.19
3.3 Others	3.37	0.39
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	35,491.84	28,773.59

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

	Current year ended March 31, 2021	Previous period ended March 31, 2020
1 INCOME		
1.1 Dividend	—	—
1.2 Interest	1,572.45	898.97
1.3 Realised Gain / (Loss) on Foreign Exchange Transactions	—	—
1.4 Realised Gains / (Losses) on Interscheme Sale of Investments	—	—
1.5 Realised Gains / (Losses) on External Sale / Redemption of Investments	(15.97)	(5.13)
1.6 Realised Gains / (Losses) on Derivative Transactions	—	—
1.7 Other Income	1.52	—
(A)	1,558.00	893.84
2 EXPENSES		
2.1 Investment Management Fees	37.85	13.20
2.2 GST on Investment Management Fees	6.81	2.38
2.3 Transfer Agents Fees and Expenses	7.77	3.22
2.4 Custodian Fees	0.01	—
2.5 Trusteeship Fees	0.39	0.13
2.6 Commission to Agents	17.60	2.59
2.7 Marketing & Distribution Expenses	0.19	0.05
2.8 Audit Fees	0.53	0.41
2.9 Investor Education Expenses	9.80	3.63
2.10 Interest on Borrowing	—	—
2.11 Other Operating Expenses	4.23	2.14
(B)	85.18	27.75
3 NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	1,472.82	866.09
4 Change in Unrealised Depreciation in Value of Investments (D)	—	—
5 NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	1,472.82	866.09
6 Change in Unrealised Appreciation in Value of Investments (F)	—	—
7 NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	1,472.82	866.09
7.1 Add : Balance Transfer from Unrealised Appreciation Reserve	—	—
7.2 Less : Balance Transfer to Unrealised Appreciation Reserve	—	—
7.3 Add / (Less) : Equalisation	(167.82)	432.42
7.4 Transfer from Reserve Fund	1,150.46	—
7.5 Transfer from Unit Premium Reserve	—	—
8 Total	2,455.46	1,298.51
9 Dividend Appropriation		
9.1 Income Distributed during the Year	(43.32)	(99.38)
9.2 Tax on Income Distributed during the Year	—	(48.67)
10 Retained Surplus / (Deficit) Carried Forward to Balance Sheet	2,412.14	1,150.46

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current year ended March 31, 2021	Previous period ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Regular Growth Option	1,042.2867	—
Regular Daily IDCW Option	1,000.0000	—
Regular Weekly IDCW Option	1,000.1556	—
Regular Monthly IDCW Option	1,000.0678	—
Direct Plan - Growth Option	1,043.6439	—
Direct Plan - Daily IDCW Option	1,000.0000	—
Direct Plan - Weekly IDCW Option	—	—
Direct Plan - Monthly IDCW Option	—	—
High		
Regular Growth Option	1,073.0991	1,042.2867
Regular Daily IDCW Option	1,000.0000	1,000.0000
Regular Weekly IDCW Option	1,000.6751	1,001.0373
Regular Monthly IDCW Option	1,002.5988	1,004.1536
Direct Plan - Growth Option	1,076.1105	1,043.6439
Direct Plan - Daily IDCW Option	1,000.0000	1,000.0000
Direct Plan - Weekly IDCW Option	1,000.6967	1,001.6667
Direct Plan - Monthly IDCW Option	—	1,002.1180
Low		
Regular Growth Option	1,042.3006	1,000.1562
Regular Daily IDCW Option	1,000.0000	1,000.0000
Regular Weekly IDCW Option	1,000.0174	1,000.0687
Regular Monthly IDCW Option	1,000.0668	1,000.0200
Direct Plan - Growth Option	1,043.6664	1,000.1603
Direct Plan - Daily IDCW Option	1,000.0000	1,000.0000
Direct Plan - Weekly IDCW Option	1,000.0620	1,000.2521
Direct Plan - Monthly IDCW Option	—	1,000.0984
End		
Regular Growth Option	1,073.0991	1,042.2867
Regular Daily IDCW Option	1,000.0000	1,000.0000
Regular Weekly IDCW Option	1,000.0869	1,000.1556
Regular Monthly IDCW Option	1,000.5066	1,000.0678
Direct Plan - Growth Option	1,076.1105	1,043.6439
Direct Plan - Daily IDCW Option	1,000.0000	1,000.0000
Direct Plan - Weekly IDCW Option	1,000.0908	—
Direct Plan - Monthly IDCW Option	—	—
2. Closing Assets Under Management (Rs. in Lakhs)		
End	35,448	28,674
Average (AAuM) ¹	48,993	21,064
3. Gross income as % of AAuM ² *		
	3.18%	4.93%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise) *		
Regular Growth Option	0.26%	0.26%

Key Statistics for the year ended March 31, 2021 (Contd...)

	Current year ended March 31, 2021	Previous period ended March 31, 2020
Direct Plan - Growth Option	0.11%	0.11%
b. Management Fee as % of AAuM (planwise)*		
Regular Growth Option	0.12%	0.13%
Direct Plan - Growth Option	0.06%	0.05%
5. Net Income as a percentage of AAuM ³ *	3.01%	4.78%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Regular Daily IDCW Option	29.1301	23.2477
Regular Weekly IDCW Option	29.0605	13.9180
Regular Monthly IDCW Option	28.7313	20.3566
Direct Plan - Daily IDCW Option	29.2246	30.7778
Direct Plan - Weekly IDCW Option	28.3208	5.6959
Direct Plan - Monthly IDCW Option	—	—
Corporate		
Regular Daily IDCW Option	29.1301	21.5275
Regular Weekly IDCW Option	29.0605	12.8881
Regular Monthly IDCW Option	28.7313	18.8504
Direct Plan - Daily IDCW Option	29.2246	28.5004
Direct Plan - Weekly IDCW Option	28.3208	5.2744
Direct Plan - Monthly IDCW Option	—	—
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option	2.9600	N.A
Direct Plan - Growth Option	3.1100	N.A
Benchmark		
CRISIL Overnight Index	3.0800	N.A
b. Since Inception		
Scheme		
Regular Growth Option	3.8600	4.21 ¥¥
Direct Plan - Growth Option	4.0000	4.33 ¥¥
Benchmark		
CRISIL Overnight Index	4.0200	4.39 ¥¥

¥¥ Since scheme has not completed one year since inception scheme & benchmark returns are absolute returns.

* 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, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial years March 31, 2021 and March 31, 2020 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 2020-21 (excluding accretion of discount) are Rs. 1,699,851,050 and Rs. 1,700,000,000 respectively being 34.70% and 34.70% of the average daily net assets.
- The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 2,769,314,405 and Rs. 2,770,000,000 respectively being 152.76% and 152.79% of the average daily net assets.
- 1.8 Non-Traded securities in the portfolio: Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets as on March 31, 2021 and as on March 31, 2020 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 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.

During the year 2019-20, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil and clearing member charges on derivative transactions amounting to Rs. Nil.

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associate/ related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	199.47	1.27	1,369,440	84.17

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

Name of Sponsor/ AMC and its associate/ related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. in Crores]	% of Total Business received by the Fund	Commission paid [Rs.]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	188.99	1.06	25,552	19.55

Brokerage paid to Sponsor / AMC and its associates / related parties / group companies is NIL.

The brokerage paid was at rates similar to those offered to other distributors. And the Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil (Previous Year also Nil).
- 3 Details of investors holding units in the scheme over 25% of the NAV as on March 31, 2021 and as on March 31, 2020 are as follows:

Name of Scheme	Number of investors	Percentage holdings	Number of investors	Percentage holdings
	2021		2020	
HSBC Overnight Fund	–	–	1	26.05%

- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option	1,488,690.824	49,925,209.087	50,023,153.973	1,390,745.938	1,000
Regular Daily IDCW Option	50,078.278	76,867.568	96,214.223	30,731.623	1,000
Regular Weekly IDCW Option	1,520.058	126,914.131	92,948.882	35,485.307	1,000
Regular Monthly IDCW Option	17,496.780	292.112	4,519.311	13,269.581	1,000
Direct Plan - Growth Option	1,193,381.273	97,121,808.362	96,481,837.701	1,833,351.934	1,000
Direct Plan - Daily IDCW Option	1,229.214	1,158,278.434	1,159,490.536	17.112	1,000
Direct Plan - Weekly IDCW Option	–	1,115.649	1,109.479	6.170	1,000

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021**

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Regular Growth Option	–	76,728,489.695	75,239,798.871	1,488,690.824	1,000
Regular Daily IDCW Option	–	205,728.407	155,650.129	50,078.278	1,000
Regular Weekly IDCW Option	–	6,587.764	5,067.706	1,520.058	1,000
Regular Monthly IDCW Option	–	18,522.775	1,025.995	17,496.780	1,000
Direct Plan - Growth Option	–	90,313,977.104	89,120,595.831	1,193,381.273	1,000
Direct Plan - Daily IDCW Option	–	5,939,459.704	5,938,230.490	1,229.214	1,000

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on 31/03/2021 is 5000.000 and as on 31/03/2020 is 5000.000

- 5 Prior year amounts have been re-grouped / re-arranged where necessary.
- 6 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other Income of Rs. 152,939 represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020 :- Rs. Nil.)
- 9 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 Disclosure of Risk-o-meter

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
HSBC Overnight Fund	Low	Low	0

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.



HSBC Regular Savings Fund

An open ended hybrid scheme investing predominantly in debt instruments

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not need step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Regular Savings Fund (HRSF)

(An open-ended hybrid scheme investing predominantly in debt instruments)

HRSF seeks to generate reasonable returns through investments in Debt and Money Market Instruments. The secondary objective of the scheme is to invest in equity and equity related instruments to seek capital appreciation. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The net assets of HRSF amounted to Rs. 81.25 crores as at March 31, 2021 as compared to Rs. 87.97 crores as at March 31, 2020. Around 62.08% of the net assets were invested in debt and money market instruments, 23.91% of the net assets were invested in equities and 14.01% were in reverse repos/TREPS & net current assets as at March 31, 2021.

HRSF outperformed its benchmark over 1-year and since inception but has underperformed over 3-year and 5-year period. This was largely due to higher weight of equity in the fund compared to benchmark weight of 15%. Equities has done well in last one year and the fund has outperformed due to fund being overweight equity. The Fund is currently overweight equity and the AMC is positive on the equities outlook going forward and hence expect the fund to do well.

Date of Inception : 24 February 2004	Absolute Returns (%)	Compounded Annualized Returns (%)		
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception
HSBC Regular Savings Fund - Growth	17.11	7.08	7.53	8.87
CRISIL Hybrid 85+15 - Conservative Index	16.57	10.11	9.92	8.54
CRISIL 10 Year Gilt Index (Standard Benchmark)	3.60	8.25	7.17	5.87
Rs. 10,000, if invested in HRSF, would have become	11,711	12,287	14,379	42,804
Rs. 10,000, if invested in CRISIL Hybrid 85+15 - Conservative Index, would have become	11,657	13,364	16,051	40,638
Rs. 10,000, if invested in CRISIL 10 Year Gilt Index, would have become	10,360	12,686	14,138	26,538

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Trustees' Report

For the year ended March 31, 2021 (Contd...)

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

[^]Source: Bloomberg (Above table values are for total return indices)

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness

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For the year ended March 31, 2021 (Contd...)

an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted

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For the year ended March 31, 2021 (Contd...)

INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by

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only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a dovetailment. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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

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c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2021

Scheme	Unclaimed Dividend		Unclaimed Redemption	
	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
HSBC Regular Savings Fund	2,241,537.97	3652	1,177,153.84	34

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 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434 / 1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Action-able	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/ load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

** As per AMFI Best Practice Guidelines Circular No. 25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2021 (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 Advissorkhoj 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Regular Savings Fund	Moderately High	Moderately High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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	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, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non-compliance, if any
	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.			
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. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Regular Savings Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Regular Savings Fund** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSSBC Mutual Fund (the 'Trustee') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations of the Scheme 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 (the 'Regulations') and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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;

Independent Auditors' Report (Contd...)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.

Report on Other Legal and Regulatory Requirements (Continued)

- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAADJ3119

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	3,282.81	4,347.44
2 Reserves & Surplus		
2.1 Unit Premium Reserves	(156.38)	(16.21)
2.2 Unrealised Appreciation Reserve	646.38	20.21
2.3 Other Reserves	4,341.52	4,443.68
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	67.41	60.19
TOTAL	8,181.74	8,855.31
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	1,942.73	1,736.74
1.1.2 Preference Shares	—	—
1.1.3 Equity Linked Debentures	—	—
1.1.4 Other Debentures & Bonds	206.29	1,983.94
1.1.5 Securitised Debt Securities	—	—
1.2 Securities Awaited Listing:		
1.2.1 Equity Shares	—	—
1.2.2 Preference Shares	—	—
1.2.3 Equity Linked Debentures	—	—
1.2.4 Other Debentures & Bonds	—	—
1.2.5 Securitised Debt Securities	—	—
1.3 Unlisted Securities:		
1.3.1 Equity Shares	—	—
1.3.2 Preference Shares	—	—
1.3.3 Equity Linked Debentures	—	—
1.3.4 Other Debentures & Bonds	—	249.54
1.3.5 Securitised Debt Securities	—	—
1.4 Government Securities	4,838.24	3,344.59
1.5 Treasury Bills	—	—
1.6 Commercial Paper	—	—
1.7 Certificate of Deposits	—	670.27
1.8 Bill Rediscounting	—	—
1.9 Units of Domestic Mutual Fund	—	—
1.10 Foreign Securities	—	—
Total Investments	6,987.26	7,985.08
2 Deposits	2.17	16.54
3 Other Current Assets		
3.1 Cash & Bank Balance	0.95	5.94
3.2 TREPS/Reverse Repo Lending	1,036.00	707.15
3.3 Others	155.36	140.60
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	8,181.74	8,855.31

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	13.77	25.43
1.2	Interest	417.07	581.99
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	378.93	263.06
1.6	Realised Gains/(Losses) on Derivative Transactions	—	—
1.7	Other Income	1.04	2.68
	(A)	810.81	873.16
2	EXPENSES		
2.1	Investment Management Fees	104.65	128.24
2.2	GST on Investment Management Fees	18.84	23.09
2.3	Transfer Agents Fees and Expenses	3.35	4.98
2.4	Custodian Fees	0.26	0.42
2.5	Trusteeship Fees	0.28	0.95
2.6	Commission to Agents	57.28	74.66
2.7	Marketing & Distribution Expenses	0.64	0.57
2.8	Audit Fees	0.40	0.66
2.9	Investor Education Expenses	1.68	2.12
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	1.71	2.73
	(B)	189.09	238.42
3	NET REALISED GAINS/(LOSSES) FOR THE YEAR	(C = A - B)	621.72
4	Change in Unrealised Depreciation in Value of Investments	(D)	94.87
5	NET GAINS/(LOSSES) FOR THE YEAR	(E = C + D)	716.59
6	Change in Unrealised Appreciation in Value of Investments	(F)	626.17
7	NET SURPLUS/(DEFICIT) FOR THE YEAR	(G = E + F)	1,342.76
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	—	433.69
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(626.17)	—
7.3	Add/(Less) : Equalisation	(711.32)	(1,811.52)
7.4	Transfer from Reserve Fund	4,443.68	5,951.42
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	4,448.95	4,634.31
9	Dividend Appropriation		
9.1	Income Distributed during the Year	(107.43)	(137.14)
9.2	Tax on Income Distributed during the Year	—	(53.49)
10	Retained Surplus/(Deficit) Carried Forward to Balance Sheet	4,341.52	4,443.68

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	36.5567	36.6132
Monthly IDCW Option	11.3521	12.2142
Quarterly IDCW Option	13.2757	13.2962
Direct Plan - Growth Option	38.3999	37.8409
Direct Plan - Monthly IDCW Option	14.4354	15.4112
Direct Plan - Quarterly IDCW Option	12.4332	13.2385
High		
Growth Option	43.3602	39.3736
Monthly IDCW Option	12.8158	12.3795
Quarterly IDCW Option	15.7464	14.2986
Direct Plan - Growth Option	46.2506	41.2572
Direct Plan - Monthly IDCW Option	16.4204	15.7015
Direct Plan - Quarterly IDCW Option	14.2453	13.5892
Low		
Growth Option	36.1089	35.2165
Monthly IDCW Option	11.2131	10.9938
Quarterly IDCW Option	13.1131	12.7890
Direct Plan - Growth Option	37.9357	36.9761
Direct Plan - Monthly IDCW Option	14.2600	13.9797
Direct Plan - Quarterly IDCW Option	12.2821	12.1693
End		
Growth Option	42.8122	36.5567
Monthly IDCW Option	12.5333	11.3521
Quarterly IDCW Option	15.5474	13.2757
Direct Plan - Growth Option	45.7562	38.3999
Direct Plan - Monthly IDCW Option	16.0742	14.4354
Direct Plan - Quarterly IDCW Option	13.8736	12.4332
2. Closing Assets Under Management (Rs. in Lakhs)		
End	8,125	8,797
Average (AAuM) ¹	8,424	10,604
3. Gross income as % of AAuM ²	9.63%	8.23%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Growth Option	2.27%	2.27%
Direct Plan - Growth Option	0.63%	0.72%

Key Statistics for the year ended March 31, 2021 *(Contd...)*

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
b. Management Fee as % of AAuM (planwise)		
Growth Option	1.26%	1.21%
Direct Plan - Growth Option	0.45%	0.50%
5. Net Income as a percentage of AAuM ³	7.38%	5.99%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the year (planwise)		
Retail		
Monthly IDCW Option	0.7200	0.6266
Quarterly IDCW Option	—	—
Direct Plan - Monthly IDCW Option	0.9600	0.8284
Direct Plan - Quarterly IDCW Option	0.8100	0.6843
Corporate		
Monthly IDCW Option	0.7200	0.5803
Quarterly IDCW Option	—	—
Direct Plan - Monthly IDCW Option	0.9600	0.7671
Direct Plan - Quarterly IDCW Option	0.8100	0.6337
8. Returns (%):		
a. Last One Year		
Scheme		
Growth Option	17.1100	(0.1400)
Direct Plan - Growth Option	19.1600	1.4800
Benchmark		
CRISIL Hybrid 85+15- Conservative index	16.5700	6.4400
b. Since Inception		
Scheme		
Growth Option	8.8700	8.3800
Direct Plan - Growth Option	8.9000	7.5500
Benchmark		
CRISIL Hybrid 85+15- Conservative index	8.5400	8.0600

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, 2021

1 Investments:

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as of year ended March 31, 2021 is NIL. Open Positions of derivatives as of year ended March 31, 2020 is NIL.
- 1.3. Investments in Associates and Group Companies as of years ended March 31, 2021 and March 31, 2020:

(Rupees)

Issuer	Instrument Type	Amount	Aggregate Investments by all schemes	Amount	Aggregate Investments by all schemes
		March 31, 2021		March 31, 2020	
Max Financial Services Ltd.	Equities	2,185,846	172,035,228	–	–
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	2,603,529	470,907,573	1,871,540	594,575,759

- 1.4. Open position of Securities Borrowed and/or Lent by the scheme as of financial years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity dates on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain/Loss as at the end of the financial years 2021 and 2020 and their percentage to net assets are as under :

Security Category	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	March 31 ,2021		March 31 ,2020	
Equity Shares				
– Appreciation	66,585,034	8.19	24,521,779	2.79
– Depreciation	1,947,238	0.24	37,508,408	4.26
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	–	–	133,523	0.02
– Depreciation	41,261	0.01	1,179,711	0.13
Government Securities				
– Appreciation	771,022	0.09	1,239,374	0.14
– Depreciation	5,275,124	0.65	163,314	0.02
Commercial Paper / Certificate of Deposit				
– Appreciation	–	–	945,188	0.11
– Depreciation	–	–	–	–

- 1.7. The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-21 (excluding accretion of discount) are Rs. 1,377,833,838 and Rs. 1,589,443,610 being 163.56% and 188.68% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

The aggregate value of investment securities (excluding CBLO/TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-20 (excluding accretion of discount) are Rs. 2,865,628,224 and Rs. 3,266,958,662 being 269.51% and 307.26% of the average daily net assets.

- 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
	2021		2020	
Equities	–	–	–	–
Debt Instruments	20,628,672	2.54%	163,371,360	18.57%
Money Market Instruments	–	–	–	–
Total	20,628,672	2.54%	163,371,360	18.57%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

Details of amounts paid to associates in terms of Regulation 25 (8) are as follows :

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	2.34	40.96	1,251,384	24.96

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	0.84	8.26	2,344,616	38.47

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. In Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2020-2021	0.20	0.01	1,003	0.28

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021**

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. In Crores]	% of total value of transaction of the fund	Brokerage paid [Rs.] (on accrual basis)	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2019-2020	0.54	0.01	6,443.08	0.71

The brokerage paid was at rates similar to those offered to other brokers/distributors. And the Commission/Brokerage paid to related party includes both upfront and trail and hence not comparable with the % of business brought and % of commission paid.

Further, The Hongkong and Shanghai Banking Corporation Limited, an associate of the Sponsor, is on the panel of bankers with whom HSBC Mutual Fund places money on fixed deposits and enters into reverse repo transactions from time to time at competitive rates.

- (i) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies - Nil (Previous year also Nil).
 - (ii) Devolvement - Nil (Previous year also Nil).
 - (iii) Subscription by the schemes in the issues lead managed by associate companies - Nil (Previous year also Nil).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - Nil. (Previous year also Nil)
- 3 None of the Investors held more than 25% of the total net assets of the schemes at the years ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the years ended March 31, 2021 and March 31, 2020**:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	14,266,619.897	951,432.568	3,212,551.500	12,005,500.965	10
Monthly IDCW Option	18,854,849.144	379,182.417	6,908,063.963	12,325,967.598	10
Quarterly IDCW Option	9,995,883.108	116,151.222	2,092,005.000	8,020,029.330	10
Direct Plan - Growth Option	254,246.344	119,178.302	14,509.003	358,915.643	10
Direct Plan - Monthly IDCW Option	92,126.807	8,967.467	1,388.661	99,705.613	10
Direct Plan - Quarterly IDCW Option	10,684.742	7,662.926	373.885	17,973.783	10

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

Description	2019-20				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	20,681,264.640	465,456.242	6,880,100.985	14,266,619.897	10
Monthly IDCW Option	26,522,140.591	3,029,185.328	10,696,476.775	18,854,849.144	10
Quarterly IDCW Option	13,747,408.247	9,904.903	3,761,430.042	9,995,883.108	10
Direct Plan - Growth Option	293,432.761	54,235.683	93,422.100	254,246.344	10
Direct Plan - Monthly IDCW Option	128,214.279	12,692.688	48,780.160	92,126.807	10
Direct Plan - Quarterly IDCW Option	11,367.778	373.885	1,056.921	10,684.742	10

** Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2021 is 170,321.192 & as on March 31, 2020 is 170,321.192

- 5 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 6 Expenses other than Management Fees are Inclusive of GST where applicable.
- 7 Other income: Rs. 103,737/- represents Exit load credited to the scheme & Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: Rs. 267,891/- represents Exit load (net of GST) credited to the scheme)
- 8 **Investor Education Awareness**

In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

9 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

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the Year ended March 31, 2021

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 February 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assess and dismissed the appeal of the Revenue.

The Department has filed rectification applications under section 254(2) of the Income Tax Act with ITAT against the favourable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions/appeal.

The hearing for the said matter is scheduled on September 24, 2021.

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 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 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 13 **Disclosure of Risk-o-meter**

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
Hsbc Regular Savings Fund	Moderately High	Moderately High	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 14 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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.

Expressions of opinion are those of HSBC only and are subject to change without notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



HSBC Fixed Term Series

A close ended income Schemes

Abridged Annual Report 2020 - 2021



HSBC
Asset Management

Dear Investor,

The beginning of the last financial year now almost seems like a distant memory. COVID-19 was still a relatively unknown enemy and governments across the world were grappling with ways to control and mitigate the risks associated with it. Nationwide lockdowns were the norm and our markets both equity and fixed income reacted negatively leading to significant erosion of wealth. Within a short period of time markets bounced back. This confounded even the most astute market pundits. How is it possible that when GDP growth had slowed down, unemployment had risen, inflation was high could there be such sharp up move in equity indices. Whilst the reasons are well known about easy global liquidity, demand resurgence, cost cutting by corporates etc. perhaps its most important to remember that the markets are not a reflector but a predictor of economic activity.



At all times particularly during such volatile times it is important to go back to the basics. Why do you save, why do you invest, what goals would you like to achieve, how old are you, what is your risk appetite? The replies to these simple questions will help you determine your asset allocation. As an example when equity markets corrected sharply last year, investors who reviewed their asset allocation, stayed invested during the lows of the past year and were able to capture the rebound and have seen prime returns since then. The current market movement in all likelihood would have also led to some imbalances in your asset allocation. Do not ignore that and I strongly recommend that you do review this with your advisor to check whether re-balancing is required.

During this financial year we had three very successful new fund launches. The pandemic showed us a clear trend of dominant players becoming stronger and profit pool getting consolidated within a few companies. To capture this opportunity, we launched the HSBC Focused Equity Fund which garnered close to Rs. 520 crores. During the second half of 2020, in the fixed income space, 3 - 5 year duration range had a favourable investment scenario as RBI's accommodative policy and surplus liquidity had reduced the returns at the very short end of the yield curve. There was a demand for an actively managed moderate duration strategy with better credit quality which we fulfilled by launching HSBC Corporate Bond Fund. It garnered over 700 crores. Our latest and first of its kind offering, HSBC Global Equity Climate Change Fund of Fund saw a stupendous response with over 8000 investors investing over Rs. 616 crores. This is an investment opportunity which goes beyond the rationale of simply generating investment returns and is the future of responsible investing.

We worked towards augmenting our digital capabilities by launching a few key enhancements to our online transaction platform. Being mindful of the movement restrictions in place, this year we focused on digitizing offline processes so that an investor need not step out of her home for investing or availing any key services. While our interactive chatbot AskMe, eased service queries, our end-to-end digital KYC module enabled a first time Mutual Fund investor to invest in our funds without any paperwork. We listened to your feedback and digitized consolidation of folios and change of tax status which eliminated the need for you to physically visit our branches.

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 reviewing your asset allocation at all times. As always thank you for your business. Stay safe.

Warm regards,

Ravi Menon

Chief Executive Officer,

HSBC Asset Management India

SPONSOR

HSBC Securities and Capital Markets (India) Private Limited

Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

TRUSTEE

Board of Trustees

Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited

Corp. & Regd. Office: 16, Veer Nariman Road, Fort, Mumbai 400 001.

CUSTODIAN

Standard Chartered Bank (SCB)

Corp. & Regd. Office: Crescenzo, Securities Services, 3rd Floor, C-38/39, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051.

AUDITORS TO THE SCHEME

BSR & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P. Ltd., SF No. 558/2, Udayampalayam Road, Nava India, Coimbatore - 641 028.

BOARD OF TRUSTEES

Ms. Jasmine Batliwalla	- Chairperson
Mr. Nani Javeri	- Trustee
Dr. T. C. Nair	- Trustee
Mr. Pedro Bastos	- Trustee

BOARD OF DIRECTORS

Mr. Dinesh Mittal	- Director
Dr. Indu Shahani	- Director
Mr. Ravi Menon	- Director & Chief Executive Officer

Trustees' Report

For the year ended March 31, 2021

The Trustees of HSBC Mutual Fund ("Fund") present the Nineteenth Annual Report and the audited abridged financial statements of the schemes of the Fund for the year ended March 31, 2021.

As at March 31, 2021, the Fund offered 37 schemes across asset classes to meet the varying investment needs of the investors. During FY 2020-2021, the Fund has launched various new products namely HSBC Corporate Bond Fund, HSBC Focused Equity Fund and HSBC Global Equity Climate Change Fund of Fund to fill the gaps in our product offering.

The Fund continues its focus on delivering consistent long term returns. The comments on the performance of the Scheme(s) is provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents after considering the distributable surplus available under the respective Schemes. Details of dividends declared can be viewed on our website at www.assetmanagement.hsbc.co.in.

1. SCHEME PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES

a. Operations and Performance of the Schemes

HSBC Fixed Term Series – close ended income schemes

These are closed-ended income schemes that seek to generate return by investing in a portfolio of fixed income instruments which mature on or before maturity date of the respective Plan(s). Each Plan is managed as a separate portfolio. The Fixed Term Series under the respective Series with different tenures have performed in line with the yields prevailing for the relevant tenures at the time of launch, however, the Plan(s) does not assure or guarantee any returns.

The performance of Fixed Term Series which are in existence for more than a year as on March 31, 2021 is provided below:

Fund/Benchmark	1 Year		3 Years		5 Years		Since Inception		Inception Date
	Amount (Rs.)	Returns (%)	Amount (Rs.)	Returns (%)	Amount (Rs.)	Returns (%)	Amount (Rs.)	Returns (%)	
HSBC Fixed Term Series 130 - Reg - Growth	10,527	5.27	12,228	6.91	NA	NA	12,438	6.89	22-Dec-17
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	12,952	8.97	NA	NA	13,085	8.56	
HSBC Fixed Term Series 131 - Reg - Growth	10,592	5.92	12,115	6.58	NA	NA	12,158	6.66	21-Mar-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	12,952	8.97	NA	NA	13,093	9.30	
HSBC Fixed Term Series 132 - Reg - Growth	10,848	8.48	12,503	7.70	NA	NA	12,600	7.86	12-Mar-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	12,952	8.97	NA	NA	13,154	9.39	
HSBC Fixed Term Series 133 - Reg - Growth	10,751	7.51	12,255	6.98	NA	NA	12,255	6.98	27-Mar-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	12,952	8.97	NA	NA	12,941	8.93	

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Fund/Benchmark	1 Year		3 Years		5 Years		Since Inception		Inception Date
	Amount (Rs.)	Returns (%)	Amount (Rs.)	Returns (%)	Amount (Rs.)	Returns (%)	Amount (Rs.)	Returns (%)	
HSBC Fixed Term Series 134 - Reg - Growth	10,576	5.76	NA	NA	NA	NA	10,998	3.44	08-Jun-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	NA	NA	NA	NA	13,163	10.26	
HSBC Fixed Term Series 135 - Reg - Growth	10,597	5.97	NA	NA	NA	NA	10,969	3.45	10-Jul-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	NA	NA	NA	NA	13,031	10.20	
HSBC Fixed Term Series 136 - Reg - Growth	10,652	6.52	NA	NA	NA	NA	11,046	3.85	13-Aug-18
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	NA	NA	NA	NA	12,895	10.14	
HSBC Fixed Term Series 137 - Reg - Growth	10,877	8.77	NA	NA	NA	NA	12,188	9.41	18-Jan-19
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	NA	NA	NA	NA	12,395	10.25	
HSBC Fixed Term Series 139 - Reg - Growth	10,860	8.60	NA	NA	NA	NA	12,090	9.49	26-Feb-19
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	NA	NA	NA	NA	12,338	10.56	
HSBC Fixed Term Series 140 - Reg - Growth	10,894	8.94	NA	NA	NA	NA	11,929	9.56	26-Apr-19
Scheme Benchmark (CRISIL Composite Bond Fund Index)	10,769	7.69	NA	NA	NA	NA	12,144	10.58	

Past performance may or may not be sustained in future. Returns on 10,000 are point-to-point returns for the specific time period, invested at the start of the period. The returns for the respective periods are provided as on last business day of March 2021 for Growth Option. Returns above 1 year are Compounded Annualized. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

b. Market Overview & Outlook (as furnished by HSBC Asset Management (India) Private Limited)

➤ EQUITY OUTLOOK

Recap of FY 2020-21:

Fiscal 2020-21 was a rewarding year for equity investors with market indices recording stellar gains from the low base after the COVID correction. Market sentiments steadily improved during the course of the year to deliver positive returns in all four quarters of the year.

We witnessed various legs of market performance during the last fiscal, driven by multiple factors and variables. Initial rebound from the market lows was driven by attractive valuations, then it was on the back of faster

Trustees' Report

For the year ended March 31, 2021 (Contd...)

than anticipated recovery post lockdown, reopening optimism, swifter than expected vaccine intervention and above all, the unprecedented liquidity. Lastly but importantly, a period of lower cost of capital coupled with low real rates, improved the attractiveness of equity as an asset class, driving the performance.

As a result, the year ended with optimism compared to despair when it began. Corporate India overcame the challenges posed by COVID through significant cost control measures while at the same time showed improvement in their financial position and cash flows.

Commodities also rallied from the lows of the COVID crisis with global crude oil prices surging by 179% during the year. INR appreciated by 3.3% (as India recorded strong net FPI inflows) during the year. MSCI India index outperformed most of key global indices during the past fiscal. MSCI India index (USD) gained 74.8% as compared to 51.8% for MSCI World, 50.5% for Dow Jones, 55.1% for MSCI Emerging Markets, 41.2% for MSCI China and 42% for MSCI Europe*.

At a record USD 37.3 bn of net FPI inflows during the fiscal, the tally was higher than the cumulative net inflows India received from the previous 6 years. DILs on the other hand saw net outflows of USD 18.4 bn and this was the first fiscal year of net outflows from the segment in 5 years. The net outflows from the segment was driven by USD 16.7 bn of outflows from the MFs while domestic insurers saw a far lower outflow of USD 1.6 bn*.

Indices Returns (April 1, 2020 to March 31, 2021)	1 Year [^]
S&P BSE Sensex TR	69.8%
NSE CNX Nifty TR	72.5%
S&P BSE 100 TR	73.5%
S&P BSE 200 TR	76.3%
S&P BSE 500 TR	78.6%
S&P BSE Midcap TR	93.0%
S&P BSE 250 Small-cap TR	117.5%

[^]Source: Bloomberg (Above table values are for total return indices)

Way forward:

Beginning of the new fiscal, India had to contend with the risk of the second COVID wave, which was more ferocious than the first wave on the human impact. However, as we write this, the second wave has already peaked and there have been a significant fall in number of active cases, case-positivity rate, daily new caseload and deaths. Vaccination drive also has seen acceleration with and is now closer to 6 mn doses per day mark. Also, the impact of the lockdown on economic activity has been significantly lower during the second wave, compared to last year. In most of the states, the unlocking process has already begun in a phased manner and this is leading to improvement in various activity indicators. Mobility indicators are recovering faster while economic indicators (freight, credit off-take, E-way bill generation, power demand etc.) are also witnessing a gradual recovery. The recently concluded earnings season has turned out to be in-line with expectations and despite the concerns of around the second wave, the earnings (Nifty) have seen upgrades for FY22. Market is looking beyond the current quarter (i.e. 1QFY22), which would witness an impact due to the second wave. Our baseline assumption is that of a temporary impact from the second wave and the set-back to the recovery process limited to a few months, after which we should see the economic rebound. So far, this is tracking in-line with assumptions.

From a macro perspective, the current estimates for GDP growth in FY22 stand at 9.2%* (after seeing downgrades to factor in the impact of second wave). The downgrade in estimates are pertaining to the first quarter and hence the trajectory of growth from hereon should pick up. The tax collections data for the first two months of FY22 has remained strong, implying that the drawdown of the second wave on the fiscal position is not alarming. Additionally, the impact of fiscal stimulus package announced in FY22 so far is manageable (about 60 bps of GDP) and hence would not lead to any fiscal strain.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

After the spectacular rally, market valuations at an overall level are now trending above historical averages on traditional valuation metrics (P/E, P/B). This is true for all market capitalization categories (viz large, mid and small). Typically, the broader market (i.e. mid and small cap segments), trade at a discount to large caps, however this scenario has now reversed after the outperformance from the broader market segments. However, the earnings momentum continues to remain strong (witnessing upgrades so far) and except for a short period due to second wave, the earnings momentum should hold up.

We believe that the risk-reward is balanced for the equity markets in the near term. Higher or sticky inflation expectations globally, higher than historical market valuations on some parameters (i.e. P/E, P/B) and adverse demand impact from the second wave are risk factors to contend with in the near term. However, these are counter balanced by positive commentary from companies, significant decline in COVID cases and acceleration in the vaccination programme. As a result, in the near term markets may see a consolidation phase and could take cues from the upcoming earnings season with more focus on the corporate commentary and the outlook. From a medium to long term perspective, the outlook for equity markets remains positive. The expectation of cyclical revival in the economy brings in a multi-year earnings visibility. This along with a benign cost of capital environment, should support equity performance. However, equity returns are likely to moderate on the back of the relatively high valuations and the strong recovery we have already witnessed from the COVID lows. Equity performance is likely to mirror the earnings growth trends over the medium to long term.

Pace of vaccination, concerns about a third wave, corporate earnings trajectory, inflation trends (both global & domestic), monsoon trends and commodity prices (especially crude oil) are some of the key factors which could influence market performance in the short term.

From a portfolio perspective, we are maintaining a pro-cyclical bias. We expect earnings growth to rebound sharply post the current COVID phase. Earnings growth are expected to sustain in high-teens beyond FY22 on the back of economy witnessing a cyclical recovery due to revival in capex cycle over the next 2-3 years (first by the government followed by private capex). From a sectoral perspective our order of preference is rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in our pecking order. This preference is dictated by our assessment of sectors/segments leading contribution to the market earnings growth over the next 2-3 years. Our portfolio construction is driven by a bottom up approach to stock selection with a focus on names that can deliver positive earnings surprises. We continue to focus on this theme to identify likely outperformers.

*Source: Bloomberg

➤ DEBT OUTLOOK

Market drivers during the course of the year FY21

The Fixed Income markets started the year with a bout of nervousness that was triggered by the pandemic. While RBI had calmed the markets with its large rate cut action of 75bp cut followed by liquidity supportive measures, the volatility continued until mid-May when government announced its relief package. While it was not fiscally expansive, it touched the right cords in terms of credit flow to desired sectors. This was followed up with RBI's credit relief measures in terms of moratorium and restructuring of assets that were stressed due to the pandemic. Throughout the course of the year, RBI maintained its accommodative stance along with significant amount of surplus liquidity that was supportive and helped in maintaining stability in the market. However, as the year progressed and pressure on fiscal began to mount yields started seeing a spike towards the last quarter of the fiscal. While borrowing was stepped up to INR 12 trillion from previously budgeted INR 7.8 trillion in May 2020, it was further enhanced by and additional INR 1.1 trillion in October 2020. Overall GOI ended up borrowing a record amount of INR 13.9 trillion. The budget proved to be a shocker with GOI using the pandemic as an opportunity for setting the finances in order. GOI showed a record deficit of 9.5% for FY21 and projected a 6.8% for FY22 with estimated central government gross borrowing of INR 12 trillion. This seemed to reverse the support RBI had provided throughout the year with benchmark 10-year bond peaking to 6.23% in mid-Feb 2021. RBI's statements to remain supportive were left in the sidelines. Overall it seemed that the 115bp of rate cut, along with significant liquidity infusion (OMO + Twist

Trustees' Report

For the year ended March 31, 2021 (Contd...)

operations of ~INR 3 trillion, infusion via dollar purchases) seemed only a little to help in applying a brake to the one-way spike in yields. The year closed ~6.16% with absence of concrete action by RBI.

RBI Policy: Through the course of the year, RBI has maintained an accommodative stance, with an aggregate 115bp of rate cut done in March and May 2020 taking the repo rate from 5.15% to 4%. Subsequently while inflation pressures prevented RBI from taking any direct actions, RBI has used a combination of creative tools to keep the rates contained primarily via liquidity supportive tools such as OMOs, Twist Operations, Repo linked Term loans to needy sectors (LTROs, TLTROs), CRR cuts. While inflation was a worry for most part of the year, RBI kept it aside admitting that growth was a priority and inflation effects are more supply side rather than demand side. Prospectively into FY22, with the onset of the second wave, RBI continues to maintain the stance to prioritize growth.

Inflation: Inflation for most part of the year stayed above 6% primarily driven by supply side pressures and some intermittent spike from food inflation as well. While it has been coming off since December with cooling off of food inflation and positive base effects, it has been between 4- 5.5%. Structurally however inflation risks continue to remain as oil prices have increased and base effects will not remain supportive for long. Core inflation continues to remain sticky.

Liquidity: During the year, system liquidity has remained at significant surplus facilitated largely by RBI action such as OMOs, foreign exchange operations and government spending.

Budget: The FY2022 union budget focuses on growth and has accordingly, presented a 9.5% fiscal deficit for FY21 and 6.8% for FY22. On the revenue side, the assumptions are largely realistic, with FY22 (E) Nominal GDP growth at 14.4% and tax revenue growth at 17% considering the pandemic impact in FY 21. Compared to FY20, tax revenue growth is ~10%. While non-tax revenues are ambitious pegging the divestment at INR 1.75 trillion, with robust pipeline of assets including monetization of road and transmission assets, execution remains the key as in the past. On the expenditure side, better quality capex spending with focusing on rail, road, defense, urban infra is positive for long term structural growth. The revenue side expenditure adjusting for clearance of past subsidy arrears will be similar to budgetary estimates. Government using this opportunity to bring back off-balance sheet spending to on-balance sheet was a welcome move towards transparency and showing realistic projections. Alongside, states have also been given leeway to borrow upto 4% of their GDP with an additional 0.5% subject to conditions. Given that states are an important vehicle for capex investment, this move is welcome although it may entail additional state borrowing. The fiscal glide path is shifted to FY26 at below 4.5% for center and 3% for states suggesting that spending will continue and borrowing will come down gradually. In summary, from survival to revival, FY22 budget aims for structural growth leaving fiscal concerns sideways in the interim. Government's intent seems clear on bringing back growth on the table, in a transparent manner.

While the second wave of the pandemic has once again derailed the revenue story, government will still have some cushion from its conservative estimates.

Currency and FI Flows: INR has been on an appreciation trajectory for most part of the year, aided by dollar underperformance supported by positive FI and FDI flows along with reduced imports on the domestic front as well. RBI has used most of the flows to accumulate reserves which has prevented any strong appreciation. Pandemic shock and global risk off led rupee over 75 in the beginning of the year only to close below 72 at the end of the fiscal year. While the second wave led to another spike in INR in April, it has since then cooled once again driven by dollar underperformance and pandemic recovery on the domestic front. Net FI flows was ~\$30 bn with positive equity flows of ~\$37 bn while debt was negative ~\$7bn and overall RBI's forex reserves rose by a ~\$100 bn to close ~\$537 bn.

Credit growth: Credit growth for the entire year has been tepid as previous year's credit events were followed by nervousness relating to the pandemic. Despite RBI opening up several windows to finance the non-AAA segment, there was very little fresh credit flowing that segment. Overall banking credit grew by only 6.5%. Risk appetite has however been improving from a complete risk aversion to opening up towards a calculated risk. Prospectively it is expected that once the pandemic risk abates, credit growth will resume primarily driven by government capex spending and demand recovery.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

Market Outlook

The pandemic once again brought the country to a situation similar to last year and debt markets perhaps interpreted the same as a structural rise in rates. In the initial day's post budget in Feb of 2021, market was expecting a concrete set of actions such as an OMO calendar from RBI, and RBI's words alone failed to calm the market. The first auction of the fiscal year also saw a devolvement. However, RBI acted in the first policy of the year announcing a bond buyback program akin to QE (quantitative easing) and its subsequent cancellation of auctions wherein yields were perhaps quoted higher than RBI's comfort levels brought back confidence into the market. Since then we have seen a strong rally with 10-year benchmark trending below 6% and the curve moving alongside. RBI reiteration of priority of growth and also supporting with higher than expected dividend payment stand out as a testimony of its support. While we do not expect RBI to act in terms of rate cuts, we believe that measures such as G-SAP, OMOs will continue until there is visibility of a structural growth. Therefore, the large borrowing program should go without any hiccups.

Furthermore, with the evidence of strong GST numbers until April 2021 (before the 2nd wave), it is expected that growth and therefore fiscal revenues will come back. Government's conservative budget estimates are supportive. Also, given the fact that compared to last year there has not been a complete shutdown of activity (lockdowns being distributed), the impact on growth will not be similar to last year. Pent up demand will come back to support revenue collection. However, on the flipside, once growth resumes RBI will be forced to withdraw liquidity in a phased manner to prevent asset bubbles. Nevertheless, RBI need not act in terms of rate actions and we believe that a prolonged pause in terms of RBI rates is in the offing.

Net-net therefore while growth is wanting no matter what, it may come at a small price of rise in yields with liquidity withdrawal. That is however expected more in the 2nd half of the year. Lower than expected borrowing numbers, later this year or if not in next year could be a surprise. We may therefore see a range bound rate action in the near term with a rising bias over time. Global rate environment, oil and currency risks are to be watched out for.

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, 2021 (Contd...)

c. Board of Trustees (the Trustees)

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001 having its Registered Office at 16, V. N. Road, Fort, Mumbai 400 001. HSBC Asset Management (India) Private Limited has been appointed as the Asset Management Company of HSBC Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 7, 2002 and executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is Rs. 61.59 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid up equity share capital of the AMC.

3. INVESTMENT OBJECTIVE OF THE SCHEMES

The investment objective of the respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section 1).

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations 1996.

5. UNCLAIMED DIVIDENDS & REDEMPTIONS

Summary of number of investors & corresponding amount as on March 31, 2021:

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 9 locations at its own offices - namely Mumbai, New Delhi, Kolkata, Bangalore, Pune, Ahmedabad, Hyderabad, Chandigarh and Chennai. With a view to enhance customer convenience, the AMC has the facility of priority based servicing to key distributors through the enhancement of the Interactive Voice Responses. The AMC has 2 Toll Free numbers (1-800-200-2434 / 1-800-258-2434) which can be dialed from anywhere in India and 1 number i.e +91 44 39923900 (Investors calling from abroad). The call center service is being managed by the Registrar and Transfer Agents. Transactions for purchase/redemption of units in the schemes HSBC Mutual Fund can also be made through the online transaction facility on the AMC's website at <https://invest.assetmanagement.hsbc.co.in>.

On the distribution front, the number of empaneled distributors was 1069 as on March 31, 2021. 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 52.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

7. DETAILS OF INVESTOR GRIEVANCE REDRESSAL

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2020 - March 2021 are as follows:

2020-2021												
Complaint Code	Type of complaint#	(a) No. of complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Action on (a) and (b)								
				Resolved				Non Actionable	Pending			
				Within 30 days	30 - 60 days	60 - 180 days	Beyond 180 days		0 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
I A	Non receipt of Dividend on Units	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	8	7	0	0	0	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	0	0	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	1	1	0	0	0	0	0	0	0	0
II C	Data corrections in Investor details **	0	12	12	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	6	6	0	0	0	0	0	0	0	0
IV	Others	0	15	15	0	0	0	0	0	0	0	0
	Total	0	42	41	0	0	0	0	1	0	0	0

Summary of Complaints for FY 2020-21

Particulars	Count
Total complaints received	42
Total number of folios	148770
% of complaints against the folio	0.028%

active folios

** As per AMFI Best Practice Guidelines Circular No. 25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence data corrections in Investor Details is included as a separate category

* Non actionable means the complaint is incomplete/outside the scope of the mutual fund

Trustees' Report

For the year ended March 31, 2021 (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 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.

9. PROXY VOTING POLICY

In terms of SEBI Circular no. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. The summary of the votes casted in the general meetings of the Investee companies, by the AMC for and on behalf of the Schemes of the Fund, for the financial year 2020-2021 is provided below:

Quarter	Total no. of resolutions	Break-up of vote decision		
		For	Against	Abstained
June 2020	50	43	6	1
September 2020	752	656	38	58
December 2020	41	31	1	9
March 2021	40	30	8	2
Total	883	760	53	70

In terms of the requirement of SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016; the AMC has obtained certificate from M/s. M. P. Chitale & Co., Chartered Accountants, who is acting as a Scrutinizer, on the voting report for the FY 2020-21. The certificate dated April 14, 2021 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 2020-21 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 2021

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 2021 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, 2021 (Contd...)

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
	Dec-2020	Mar-2021	Dec 2020 to March 2021
HSBC Fixed Term Series 130	Low to Moderate	Low	1
HSBC Fixed Term Series 131	Low to Moderate	Low to Moderate	0
HSBC Fixed Term Series 132	Moderate	Low to Moderate	1
HSBC Fixed Term Series 133	Moderate	Low to Moderate	1
HSBC Fixed Term Series 134	Low to Moderate	Low to Moderate	0
HSBC Fixed Term Series 135	Low to Moderate	Low to Moderate	0
HSBC Fixed Term Series 136	Moderate	Moderate	2
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

^ From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

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.

Trustees' Report

For the year ended March 31, 2021 (Contd...)

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation/non - compliance, if any
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, 2021 (Contd...)

13. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

HSBC Global Consumer Opportunities Fund (HGCOF) has been merged with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund with effect from May 13, 2021. Therefore, HGCOF has been ceased to exist from the aforesaid date.

14. 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 20, 2021.

Independent Auditors' Report

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 130

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 130** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. 	<ul style="list-style-type: none"> We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none"> Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data. 	<ul style="list-style-type: none"> We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations')
<ul style="list-style-type: none"> Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations. 	<ul style="list-style-type: none"> We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none"> We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<ul style="list-style-type: none"> We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

Independent Auditors' Report (Contd...)

that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAEL1350

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report (Contd...)

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 131

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 131** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. 	<ul style="list-style-type: none"> We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none"> Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data. 	<ul style="list-style-type: none"> We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations')
<ul style="list-style-type: none"> Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations. 	<ul style="list-style-type: none"> We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none"> We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<ul style="list-style-type: none"> We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

Independent Auditors' Report (Contd...)

disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAEA4076

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report (Contd...)

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 132

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 132** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. 	<ul style="list-style-type: none"> We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none"> Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data. 	<ul style="list-style-type: none"> We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations')
<ul style="list-style-type: none"> Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations. 	<ul style="list-style-type: none"> We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none"> We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<ul style="list-style-type: none"> We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude

Independent Auditors' Report *(Contd...)*

that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAEB6527

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report *(Contd...)*

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 133

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 133** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. 	<ul style="list-style-type: none"> We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none"> Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data. 	<ul style="list-style-type: none"> We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations')
<ul style="list-style-type: none"> Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations. 	<ul style="list-style-type: none"> We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none"> We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<ul style="list-style-type: none"> We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

Independent Auditors' Report (Contd...)

that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAEC6160

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report *(Contd...)*

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 134

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 134** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. 	<ul style="list-style-type: none"> We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none"> Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data. 	<ul style="list-style-type: none"> We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations')
<ul style="list-style-type: none"> Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations. 	<ul style="list-style-type: none"> We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none"> We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<ul style="list-style-type: none"> We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

Independent Auditors' Report (Contd...)

that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAED4589

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report (Contd...)

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 135

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 135** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. 	<ul style="list-style-type: none"> We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none"> Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data. 	<ul style="list-style-type: none"> We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations')
<ul style="list-style-type: none"> Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations. 	<ul style="list-style-type: none"> We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none"> We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<ul style="list-style-type: none"> We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

Independent Auditors' Report (Contd...)

that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAEE9340

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report (Contd...)

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 136

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 136** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. 	<ul style="list-style-type: none"> We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none"> Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data. 	<ul style="list-style-type: none"> We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations')
<ul style="list-style-type: none"> Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations. 	<ul style="list-style-type: none"> We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none"> We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<ul style="list-style-type: none"> We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

Independent Auditors' Report (Contd...)

that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAEF6612

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report *(Contd...)*

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 137

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 137** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. 	<ul style="list-style-type: none"> We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none"> Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data. 	<ul style="list-style-type: none"> We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations')
<ul style="list-style-type: none"> Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations. 	<ul style="list-style-type: none"> We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none"> We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<ul style="list-style-type: none"> We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

Independent Auditors' Report (Contd...)

that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAEG6278

Place : Mumbai

Date : July 20, 2021.

Independent Auditors' Report (Contd...)

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 139

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 139** (the 'Scheme') of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (the 'ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none"> Fair valuation of debt securities is a subjective area with judgment applied in determining fair value. 	<ul style="list-style-type: none"> We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none"> Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data. 	<ul style="list-style-type: none"> We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the 'Regulations')
<ul style="list-style-type: none"> Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations. 	<ul style="list-style-type: none"> We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none"> We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements. 	<ul style="list-style-type: none"> We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

Independent Auditors' Report (Contd...)

that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAEH9664

Place : Mumbai

Date : July 20, 2021.

Independent Auditors’ Report *(Contd...)*

To the Trustees of HSBC Mutual Fund

HSBC Fixed Term Series 140

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HSBC Fixed Term Series 140** (the ‘Scheme’) of HSBC Mutual Fund, which comprise the balance sheet as at 31 March 2021 and the revenue account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at 31 March 2021, its net surplus and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (‘SAs’) issued by the Institute of Chartered Accountants of India (the ‘ICAI’). Our responsibilities under those SAs are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the ICAI, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Fair valuation of fixed income securities	
Refer Note 2.2 (II) to the financial statements	Our audit procedures included the following:
<ul style="list-style-type: none">Fair valuation of debt securities is a subjective area with judgment applied in determining fair value.	<ul style="list-style-type: none">We understood, evaluated and tested the design and operating effectiveness of key controls around the fair valuation of debt securities
<ul style="list-style-type: none">Determination of fair valuation of securities is dependent on various factors including issuer specific factors, general factors, availability and quality of data.	<ul style="list-style-type: none">We tested valuation policy approved by the Trustees for its compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended (the ‘Regulations’)
<ul style="list-style-type: none">Fair valuation of fixed income securities requires application of valuation principles prescribed by the SEBI Regulations.	<ul style="list-style-type: none">We checked the prices used by the Scheme to fair value the debt securities were in accordance with the valuation policy.
<ul style="list-style-type: none">We have identified fair valuation of fixed income securities as a key audit matter because of inherent subjectivity of estimates and judgement and its significance to the financial statements.	<ul style="list-style-type: none">We evaluated judgements and estimates used while determining the fair valuation of debt securities comprising of assumptions and relevance of data sources.

Independent Auditors' Report *(Contd...)*

Other Information

The management of HSBC Asset Management (India) Private Limited, is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Scheme's management, the Board of Directors of HSBC Mutual Fund (the 'Trustees') and the Board of Directors of HSBC Asset Management (India) Private Limited (the 'AMC') (collectively referred to as 'Management') are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Scheme in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations and the accounting principles generally accepted in India. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The management is 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 the Scheme's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

Independent Auditors' Report (Contd...)

that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1 As required by Regulation 55 (4) of the Regulations, we report that:
 - (a) We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit; and
 - (b) The balance sheet and the revenue account have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations.
- 2 As required by Clause 5 (ii) (2) of the Eleventh Schedule of the Regulations, we report that the balance sheet and the revenue account are in agreement with the books of account of the Scheme.
- 3 As required by the Eight Schedule of the Regulations, we report that, in our opinion and on the basis of information and explanations given to us, the methods used to value non - traded securities, as at 31 March 2021, as determined by the Board of Directors of the AMC, are in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board of India as applicable and approved by the Board of Directors of the Trustee, are fair and reasonable.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Ajit Viswanath

Partner

Membership No: 067114

UDIN : 21067114AAAAEI8722

Place : Mumbai

Date : July 20, 2021.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 130	
		As at	As at
		March 31, 2021	March 31, 2020
	LIABILITIES		
1	Unit Capital	2,296.23	2,296.23
2	Reserves & Surplus		
2.1	Unit Premium Reserves	—	—
2.2	Unrealised Appreciation Reserve	—	23.41
2.3	Other Reserves	566.87	397.93
3	Loans & Borrowings	—	—
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	—	—
4.2	Other Current Liabilities & Provisions	1.77	1.10
	TOTAL	2,864.87	2,718.67
	ASSETS		
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	—	—
1.1.2	Preference Shares	—	—
1.1.3	Equity Linked Debentures	—	—
1.1.4	Other Debentures & Bonds	—	1,984.63
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	—	249.54
1.3.5	Securitised Debt Securities	—	—
1.4	Government Securities	—	220.49
1.5	Treasury Bills	—	—
1.6	Commercial Paper	—	—
1.7	Certificate of Deposits	—	—
1.8	Bill Rediscounting	—	—
1.9	Units of Domestic Mutual Fund	—	—
1.10	Foreign Securities	—	—
	Total Investments	—	2,454.66
2	Deposits	1.44	—
3	Other Current Assets		
3.1	Cash & Bank Balance	0.12	0.03
3.2	TREPS / Reverse Repo Lending	2,863.04	216.23
3.3	Others	0.27	47.75
4	Deferred Revenue Expenditure (to the extent not written off)	—	—
	TOTAL	2,864.87	2,718.67

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 130	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	176.08	188.43
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	–	–
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments	–	–
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments	(0.67)	(0.02)
1.6	Realised Gains / (Losses) on Derivative Transactions	–	–
1.7	Other Income	0.01	–
	(A)	175.42	188.41
2	EXPENSES		
2.1	Investment Management Fees	2.33	2.54
2.2	GST on Investment Management Fees	0.42	0.46
2.3	Transfer Agents Fees and Expenses	0.54	0.29
2.4	Custodian Fees	0.08	0.10
2.5	Trusteeship Fees	–	–
2.6	Commission to Agents	2.16	2.01
2.7	Marketing & Distribution Expenses	0.11	0.01
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.56	0.52
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	0.25	0.15
	(B)	6.65	6.28
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	168.77	182.13
4	Change in Unrealised Depreciation in Value of Investments (D)	0.17	8.55
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	168.94	190.68
6	Change in Unrealised Appreciation in Value of Investments (F)	(23.41)	23.41
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	145.53	214.09
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	23.41	–
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	–	(23.41)
7.3	Add / (Less) : Equalisation	–	–
7.4	Transfer from Reserve Fund	397.93	207.25
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	566.87	397.93
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	566.87	397.93

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 130		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	11.8138	10.8920
IDCW Option	11.8138	10.8920
Direct Plan - Growth Option	11.8692	10.9198
High		
Growth Option	12.4363	11.8138
IDCW Option	12.4363	11.8138
Direct Plan - Growth Option	12.5211	11.8692
Low		
Growth Option	11.8198	10.9016
IDCW Option	11.8198	10.9016
Direct Plan - Growth Option	11.8758	10.9299
End		
Growth Option	12.4363	11.8138
IDCW Option	12.4363	11.8138
Direct Plan - Growth Option	12.5211	11.8692
2. Closing Assets Under Management (Rs. in Lakhs)		
End	2,863	2,718
Average (AAuM) ¹	2,810	2,614
3. Gross income as % of AAuM ²	6.24%	7.21%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	0.32%	0.32%
Direct Plan - Growth Option	0.11%	0.11%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.11%	0.13%
Direct Plan - Growth Option	0.04%	0.05%
5. Net Income as a percentage of AAuM ³	6.01%	6.97%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—
Corporate		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

HSBC FIXED TERM SERIES 130		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option	5.2700	8.4300
Direct Plan - Growth Option	5.4900	8.6600
Benchmark		
CRISIL Composite Bond Fund Index	7.6900	12.5700
b. Since Inception		
Scheme		
Regular Growth Option	6.8900	7.6100
Direct Plan - Growth Option	7.1100	7.8300
Benchmark		
CRISIL Composite Bond Fund Index	8.5600	8.9400

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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

HSBC FIXED TERM SERIES 130

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	–	–	2,506,765	0.92
– Depreciation	–	–	165,500	0.06
Government of India Securities				
– Appreciation	–	–	–	–
– Depreciation	–	–	17,411	0.01

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-2021 (excluding accretion of discount) is Rs. 194,04,365 and 26,25,00,000 respectively being 6.91% and 93.43% 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 2019-2020 (excluding accretion of discount) is Rs. 15,031,560 and NIL respectively being 5.75% and NIL of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 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
	2021		2020	
Debt Instruments	–	–	203,077,259	74.73%
Total	–	–	203,077,259	74.73%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	–	–	141,925	73.06

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	131,689	78.94

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL)
 - (ii) Devolvement - NIL (Previous year also NIL)
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL)
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL)
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	14,159,124.748	–	–	14,159,124.748	10
IDCW Option	39,720.000	–	–	39,720.000	10
Direct Plan - Growth Option	8,763,500.000	–	–	8,763,500.000	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	14,159,124.748	–	–	14,159,124.748	10
IDCW Option	39,720.000	–	–	39,720.000	10
Direct Plan - Growth Option	8,763,500.000	–	–	8,763,500.000	10

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the years ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 638/- represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2020	March 31, 2019
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI*	89.04	109.69
Less: Payable to AMFI (March 2021 accrual)*	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
HSBC Fixed Term Series 130	Low to Moderate	Low	1

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

HSBC FIXED TERM SERIES 131			
		As at March 31, 2021	As at March 31, 2020
LIABILITIES			
1	Unit Capital	4,030.36	4,030.36
2	Reserves & Surplus		
2.1	Unit Premium Reserves	—	—
2.2	Unrealised Appreciation Reserve	—	24.89
2.3	Other Reserves	901.34	590.25
3	Loans & Borrowings	—	—
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	—	—
4.2	Other Current Liabilities & Provisions	1.21	1.10
	TOTAL	4,932.91	4,646.60
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	2,316.00	3,505.47
1.1.5	Securitised Debt Securities	—	—
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	—	—
1.2.2	Preference Shares	—	—
1.2.3	Equity Linked Debentures	—	—
1.2.4	Other Debentures & Bonds	—	—
1.2.5	Securitised Debt Securities	—	—
1.3	Unlisted Securities:		
1.3.1	Equity Shares	—	—
1.3.2	Preference Shares	—	—
1.3.3	Equity Linked Debentures	—	—
1.3.4	Other Debentures & Bonds	—	401.62
1.3.5	Securitised Debt Securities	—	—
1.4	Government Securities	—	510.33
1.5	Treasury Bills	—	—
1.6	Commercial Paper	—	—
1.7	Certificate of Deposits	449.16	—
1.8	Bill Rediscounting	—	—
1.9	Units of Domestic Mutual Fund	—	—
1.10	Foreign Securities	—	—
	Total Investments	2,765.16	4,417.42
2	Deposits	0.63	—
3	Other Current Assets		
3.1	Cash & Bank Balance	0.10	0.56
3.2	TREPS / Reverse Repo Lending	2,069.61	120.78
3.3	Others	97.41	107.84
4	Deferred Revenue Expenditure (to the extent not written off)	—	—
	TOTAL	4,932.91	4,646.60

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 131	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	—	—
1.2	Interest	343.80	343.89
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	(14.62)	(82.60)
1.6	Realised Gains / (Losses) on Derivative Transactions	—	—
1.7	Other Income	0.01	—
	(A)	329.19	261.29
2	EXPENSES		
2.1	Investment Management Fees	1.09	1.31
2.2	GST on Investment Management Fees	0.20	0.24
2.3	Transfer Agents Fees and Expenses	0.69	0.49
2.4	Custodian Fees	0.18	0.17
2.5	Trusteeship Fees	—	—
2.6	Commission to Agents	1.02	0.95
2.7	Marketing & Distribution Expenses	0.11	0.01
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.97	0.90
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	0.26	0.14
	(B)	4.72	4.41
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	324.47	256.88
4	Change in Unrealised Depreciation in Value of Investments	(13.38)	31.20
	(D)		
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	311.09	288.08
6	Change in Unrealised Appreciation in Value of Investments	(24.89)	21.40
	(F)		
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	286.20	309.48
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	24.89	—
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	—	(21.40)
7.3	Add / (Less) : Equalisation	—	—
7.4	Transfer from Reserve Fund	590.25	302.17
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	901.34	590.25
9	Dividend Appropriation		
9.1	Income Distributed during the Year	—	—
9.2	Tax on Income Distributed during the Year	—	—
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	901.34	590.25

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 131		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	11.4764	10.7356
IDCW Option	11.4764	10.7356
Direct Plan - Growth Option	11.5370	10.7633
High		
Growth Option	12.1562	11.4764
IDCW Option	12.1562	11.4764
Direct Plan - Growth Option	12.2536	11.5370
Low		
Growth Option	11.4714	10.7466
IDCW Option	11.4714	10.7466
Direct Plan - Growth Option	11.5328	10.7749
End		
Growth Option	12.1562	11.4764
IDCW Option	12.1562	11.4764
Direct Plan - Growth Option	12.2536	11.5370
2. Closing Assets Under Management (Rs. in Lakhs)		
End	4,932	4,645
Average (AAuM) ¹	4,826	4,501
3. Gross income as % of AAuM ²	6.82%	5.81%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	0.32%	0.32%
Direct Plan - Growth Option	0.05%	0.05%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.13%	0.13%
Direct Plan - Growth Option	0.00%	0.01%
5. Net Income as a percentage of AAuM ³	6.72%	5.71%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—
Corporate		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

HSBC FIXED TERM SERIES 131		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
8. Returns (%):		
a. Last One Year		
Scheme		
Regular Growth Option	5.9200	6.8800
Direct Plan - Growth Option	6.2100	7.1700
Benchmark		
CRISIL Composite Bond Fund Index	7.6900	12.5700
b. Since Inception		
Scheme		
Regular Growth Option	6.6600	7.0200
Direct Plan - Growth Option	6.9400	7.3000
Benchmark		
CRISIL Composite Bond Fund Index	9.3000	10.1000

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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

HSBC FIXED TERM SERIES 131

1 Investments:-

- 1.1.It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2.Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4.Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5.Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6.Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	160,784	0.03	2,029,919	0.44
– Depreciation	1,497,171	0.30	558,200	0.12
Government of India Securities				
– Appreciation	–	–	1,016,860	0.22
– Depreciation	–	–	–	–
Certificate of Deposit				
– Appreciation	–	–	–	–
– Depreciation	1,327	~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 2020-2021 (excluding accretion of discount) is Rs. 102,998,867 and Rs. 270,000,000 respectively being 21.34% and 55.94% of the average daily net assets

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 67,938,272 and Rs. 33,744,396 respectively being 15.10% and 7.50% of the average daily net assets.

- 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
	2021		2020	
Debt Instruments	231,600,110	46.96%	390,708,867	84.10%
Money Market Instruments	44,915,625	9.11%	–	–
Total	276,515,735	56.07%	390,708,867	84.10%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	–	–	78,230	84.10

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	73,005	91.70

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL).
 - Devolvement - NIL (Previous year also NIL).
 - Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL).
 - Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL).
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	7,095,288.363	–	–	7,095,288.363	10
IDCW Option	30,854.000	–	–	30,854.000	10
Direct Plan - Growth Option	33,177,430.949	–	–	33,177,430.949	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	7,095,288.363	–	–	7,095,288.363	10
IDCW Option	30,854.000	–	–	30,854.000	10
Direct Plan - Growth Option	33,177,430.949	–	–	33,177,430.949	10

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 1,087/- represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI*	89.04	109.69
Less: Payable to AMFI (March 2021 accrual)*	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31,2020^	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year^
HSBC Fixed Term Series 131	Low to Moderate	Low to Moderate	–

^From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 132	
		As at March 31, 2021	As at March 31, 2020
LIABILITIES			
1	Unit Capital	12,322.58	12,322.58
2	Reserves & Surplus		
2.1	Unit Premium Reserves	—	—
2.2	Unrealised Appreciation Reserve	0.10	3.03
2.3	Other Reserves	3,206.69	1,988.96
3	Loans & Borrowings	—	—
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	—	—
4.2	Other Current Liabilities & Provisions	9.08	7.67
TOTAL		15,538.45	14,322.24
ASSETS			
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	—	—
1.1.2	Preference Shares	—	—
1.1.3	Equity Linked Debentures	—	—
1.1.4	Other Debentures & Bonds	11,048.65	11,618.66
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	—	1,217.41
1.3.5	Securitised Debt Securities	—	—
1.4	Government Securities	—	933.04
1.5	Treasury Bills	498.83	—
1.6	Commercial Paper	—	—
1.7	Certificate of Deposits	1,497.19	—
1.8	Bill Rediscounting	—	—
1.9	Units of Domestic Mutual Fund	—	—
1.10	Foreign Securities	—	—
Total Investments		13,044.67	13,769.11
2	Deposits	1.94	—
3	Other Current Assets		
3.1	Cash & Bank Balance	0.09	0.02
3.2	TREPS / Reverse Repo Lending	1,890.17	62.43
3.3	Others	601.58	490.68
4	Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL		15,538.45	14,322.24

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 132	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	—	—
1.2	Interest	1,118.22	1,113.23
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	15.60	(0.04)
1.6	Realised Gains / (Losses) on Derivative Transactions	—	—
1.7	Other Income	0.02	—
	(A)	1,133.84	1,113.19
2	EXPENSES		
2.1	Investment Management Fees	20.78	19.28
2.2	GST on Investment Management Fees	3.74	3.47
2.3	Transfer Agents Fees and Expenses	1.67	1.51
2.4	Custodian Fees	0.56	0.57
2.5	Trusteeship Fees	—	—
2.6	Commission to Agents	17.29	16.00
2.7	Marketing & Distribution Expenses	—	0.01
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	3.00	2.75
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	0.30	0.15
	(B)	47.54	43.94
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	1,086.30	1,069.25
4	Change in Unrealised Depreciation in Value of Investments	(D)	22.45
		131.43	
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	1,217.73	1,091.70
6	Change in Unrealised Appreciation in Value of Investments	(F)	3.03
		(2.93)	
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	1,214.80	1,094.73
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	2.93	—
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	—	(3.03)
7.3	Add / (Less) : Equalisation	—	—
7.4	Transfer from Reserve Fund	1,988.96	897.26
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	3,206.69	1,988.96
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	3,206.69	1,988.96

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 132		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	11.6154	10.7276
IDCW Option	11.6154	10.7276
Direct Plan - Growth Option	11.6648	10.7503
Direct Plan - IDCW Option	11.6648	10.7503
High		
Growth Option	12.6006	11.6154
IDCW Option	12.6006	11.6154
Direct Plan - Growth Option	12.6811	11.6648
Direct Plan - IDCW Option	12.6811	11.6648
Low		
Growth Option	11.6090	10.7430
IDCW Option	11.6090	10.7430
Direct Plan - Growth Option	11.6590	10.7662
Direct Plan - IDCW Option	11.6590	10.7662
End		
Growth Option	12.6006	11.6154
IDCW Option	12.6006	11.6154
Direct Plan - Growth Option	12.6811	11.6648
Direct Plan - IDCW Option	12.6811	11.6648
2. Closing Assets Under Management (Rs. in Lakhs)		
End	15,529	14,315
Average (AAuM) ¹	15,003	13,746
3. Gross income as % of AAuM ²	7.56%	8.10%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	0.32%	0.32%
Direct Plan - Growth Option	0.11%	0.11%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.14%	0.14%
Direct Plan - Growth Option	0.06%	0.06%
5. Net Income as a percentage of AAuM ³	7.24%	7.78%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

		HSBC FIXED TERM SERIES 132	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
	Regular IDCW Option	–	–
	Direct Plan - IDCW Option	–	–
8.	Returns (%):		
a.	Last One Year		
	Scheme		
	Regular Growth Option	8.4800	8.2500
	Direct Plan - Growth Option	8.7100	8.4800
	Benchmark		
	CRISIL Composite Bond Fund Index	7.6900	12.5700
b.	Since Inception		
	Scheme		
	Regular Growth Option	7.8600	7.5600
	Direct Plan - Growth Option	8.0900	7.7800
	Benchmark		
	CRISIL Composite Bond Fund Index	9.3900	10.2200

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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

HSBC FIXED TERM SERIES 132

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	1,178,864	0.08	8,135,718	0.57
– Depreciation	5,553,535	0.36	25,657,336	1.79
Government of India Securities				
– Appreciation	–	–	352,017	–
– Depreciation	–	–	48,564	~0.00
Certificate of Deposit				
– Appreciation	–	–	–	–
– Depreciation	4,424	~0.00	–	–
Treasury Bills				
– Appreciation	10,347	~0.00	–	–
– Depreciation	–	–	–	–
~ Indicates less than 0.01				

~ 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, 2021

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-2021 (excluding accretion of discount) is Rs. 370,508,007 and Rs. 506,209,430 respectively being 24.70% and 33.74% 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 2019-2020 (excluding accretion of discount) is Rs. 65,869,894 and NIL respectively being 4.79% and NIL of the average daily net assets.

- 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
	2021		2020	
Debt Instruments	1,104,864,918	71.15%	1,283,606,756	89.67%
Money Market Instruments	149,718,750	9.64%	–	–
Total	1,254,583,668	80.79%	1,283,606,756	89.67%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	0.71	19.71	1,437,107	91.05

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	1,323,583	99.57

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL).
- Devolvement - NIL (Previous year also NIL).
- Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL).
- Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL).

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	118,101,370.598	–	–	118,101,370.598	10
IDCW Option	2,345,689.097	–	–	2,345,689.097	10
Direct Plan - Growth Option	2,777,750.533	–	–	2,777,750.533	10
Direct Plan - IDCW Option	950.000	–	–	950.000	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	118,101,370.598	–	–	118,101,370.598	10
IDCW Option	2,345,689.097	–	–	2,345,689.097	10
Direct Plan - Growth Option	2,777,750.533	–	–	2,777,750.533	10
Direct Plan - IDCW Option	950.000	–	–	950.000	10

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 1,753/- represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI*	89.04	109.69
Less: Payable to AMFI (March 2021 accrual)*	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Fixed Term Series 132	Moderate	Low to Moderate	1

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

HSBC FIXED TERM SERIES 133			
	As at	As at	
	March 31, 2021	March 31, 2020	
LIABILITIES			
1	Unit Capital	9,639.72	9,639.72
2	Reserves & Surplus		
2.1	Unit Premium Reserves	—	—
2.2	Unrealised Appreciation Reserve	1.88	4.30
2.3	Other Reserves	2,183.80	1,352.02
3	Loans & Borrowings	—	—
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	—	—
4.2	Other Current Liabilities & Provisions	6.29	5.44
	TOTAL	11,831.69	11,001.48
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	6,869.12	7,689.30
1.1.5	Securitised Debt Securities	—	—
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	—	—
1.2.2	Preference Shares	—	—
1.2.3	Equity Linked Debentures	—	—
1.2.4	Other Debentures & Bonds	—	—
1.2.5	Securitised Debt Securities	—	—
1.3	Unlisted Securities:		
1.3.1	Equity Shares	—	—
1.3.2	Preference Shares	—	—
1.3.3	Equity Linked Debentures	—	—
1.3.4	Other Debentures & Bonds	—	778.34
1.3.5	Securitised Debt Securities	—	—
1.4	Government Securities	—	953.73
1.5	Treasury Bills	—	—
1.6	Commercial Paper	—	—
1.7	Certificate of Deposits	548.97	1,191.46
1.8	Bill Rediscounting	—	—
1.9	Units of Domestic Mutual Fund	—	—
1.10	Foreign Securities	—	—
	Total Investments	7,418.09	10,612.83
2	Deposits	1.81	—
3	Other Current Assets		
3.1	Cash & Bank Balance	0.18	0.03
3.2	TREPS / Reverse Repo Lending	4,229.08	230.43
3.3	Others	182.53	158.19
4	Deferred Revenue Expenditure (to the extent not written off)	—	—
	TOTAL	11,831.69	11,001.48

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

HSBC FIXED TERM SERIES 133

	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
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1	INCOME		
1.1	Dividend	-	-
1.2	Interest	837.35	848.64
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	(24.33)	(212.34)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	0.01	-
	(A)	813.03	636.30
2	EXPENSES		
2.1	Investment Management Fees	14.60	13.80
2.2	GST on Investment Management Fees	2.63	2.48
2.3	Transfer Agents Fees and Expenses	1.28	1.17
2.4	Custodian Fees	0.43	0.42
2.5	Trusteeship Fees	-	-
2.6	Commission to Agents	11.69	10.91
2.7	Marketing & Distribution Expenses	-	0.01
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	2.29	2.13
2.10	Interest on Borrowing	-	-
2.11	Other Operating Expenses	0.24	0.15
	(B)	33.36	31.27
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	779.67	605.03
4	Change in Unrealised Depreciation in Value of Investments	(D) 52.11	65.91
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	831.78	670.94
6	Change in Unrealised Appreciation in Value of Investments	(F) (2.43)	4.30
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	829.35	675.24
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	2.43	-
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	-	(4.30)
7.3	Add / (Less) : Equalisation	-	-
7.4	Transfer from Reserve Fund	1,352.02	681.08
7.5	Transfer from Unit Premium Reserve	-	-
8	Total	2,183.80	1,352.02
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	2,183.80	1,352.02

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 133		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	11.4002	10.7034
IDCW Option	11.4002	10.7034
Direct Plan - Growth Option	11.4477	10.7251
Direct Plan - IDCW Option	11.4477	10.7251
High		
Growth Option	12.2562	11.4002
IDCW Option	12.2562	11.4002
Direct Plan - Growth Option	12.3336	11.4477
Direct Plan - IDCW Option	12.3336	11.4477
Low		
Growth Option	11.3961	10.7181
IDCW Option	11.3961	10.7181
Direct Plan - Growth Option	11.4443	10.7403
Direct Plan - IDCW Option	11.4443	10.7403
End		
Growth Option	12.2562	11.4002
IDCW Option	12.2562	11.4002
Direct Plan - Growth Option	12.3336	11.4477
Direct Plan - IDCW Option	12.3336	11.4477
2. Closing Assets Under Management (Rs. in Lakhs)		
End	11,825	10,996
Average (AAuM) ¹	11,466	10,655
3. Gross income as % of AAuM ²	7.09%	5.97%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	0.32%	0.32%
Direct Plan - Growth Option	0.11%	0.11%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.14%	0.14%
Direct Plan - Growth Option	0.06%	0.06%
5. Net Income as a percentage of AAuM ³	6.80%	5.68%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

		HSBC FIXED TERM SERIES 133	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
	Regular IDCW Option	–	–
	Direct Plan - IDCW Option	–	–
8.	Returns (%):		
a.	Last One Year		
	Scheme		
	Regular Growth Option	7.5100	6.5000
	Direct Plan - Growth Option	7.7400	6.7300
	Benchmark		
	CRISIL Composite Bond Fund Index	7.6900	12.5700
b.	Since Inception		
	Scheme		
	Regular Growth Option	6.9800	6.7200
	Direct Plan - Growth Option	7.2100	6.9400
	Benchmark		
	CRISIL Composite Bond Fund Index	8.9300	9.5500

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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

HSBC FIXED TERM SERIES 133

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Bharti Airtel Ltd.	Equities	–	56,482,738	–	–
Balrampur Chini Mills Ltd.	Equities	–	470,907,573	–	594,575,759
Thomas Cook (India) Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	735,612	0.06	6,320,169	0.57
– Depreciation	548,072	0.05	11,503,507	1.05
Government of India Securities				
– Appreciation	–	–	–	–
– Depreciation	–	–	29,183	~0.00
Certificate of Deposit				
– Appreciation	–	–	430,259	0.04
– Depreciation	1,622	~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 2020-2021 (excluding accretion of discount) is Rs. 187,901,323 and Rs. 538,418,677 respectively being 16.39% and 46.96% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 167,996,335 and Rs. 86,771,304 respectively being 15.77% and 8.14% of the average daily net assets.

- 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
	2021		2020	
Debt Instruments	686,911,552	58.09%	846,763,847	77.01%
Money Market Instruments	54,896,875	4.64%	95,209,000	8.66%
Total	741,808,427	62.73%	941,972,847	85.66%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	–	–	921,514	86.33

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	857,818	93.98

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL).
 - (ii) Devolvement - NIL (Previous year also NIL).
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL).
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	82,186,171.296	–	–	82,186,171.296	10
IDCW Option	353,862.848	–	–	353,862.848	10
Direct Plan - Growth Option	13,836,299.100	–	–	13,836,299.100	10
Direct Plan - IDCW Option	20,847.700	–	–	20,847.700	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	82,186,171.296	–	–	82,186,171.296	10
IDCW Option	353,862.848	–	–	353,862.848	10
Direct Plan - Growth Option	13,836,299.100	–	–	13,836,299.100	10
Direct Plan - IDCW Option	20,847.700	–	–	20,847.700	10

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 1,386/- represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI*	89.04	109.69
Less: Payable to AMFI (March 2021 accrual)*	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Fixed Term Series 133	Moderate	Low to Moderate	1

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

HSBC FIXED TERM SERIES 134			
	As at	As at	
	March 31, 2021	March 31, 2020	
LIABILITIES			
1	Unit Capital	15,706.32	15,706.32
2	Reserves & Surplus		
2.1	Unit Premium Reserves	—	—
2.2	Unrealised Appreciation Reserve	62.35	70.44
2.3	Other Reserves	1,564.04	591.10
3	Loans & Borrowings	—	—
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	—	—
4.2	Other Current Liabilities & Provisions	8.14	7.90
	TOTAL	17,340.85	16,375.76
ASSETS			
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	—	—
1.1.2	Preference Shares	—	—
1.1.3	Equity Linked Debentures	—	—
1.1.4	Other Debentures & Bonds	11,515.45	13,297.96
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	1,989.84	2,025.71
1.5	Treasury Bills	—	—
1.6	Commercial Paper	—	—
1.7	Certificate of Deposits	3,178.81	239.38
1.8	Bill Rediscounting	—	—
1.9	Units of Domestic Mutual Fund	—	—
1.10	Foreign Securities	—	—
	Total Investments	16,684.10	15,563.05
2	Deposits	0.37	—
3	Other Current Assets		
3.1	Cash & Bank Balance	0.02	0.04
3.2	TREPS / Reverse Repo Lending	56.79	277.69
3.3	Others	599.57	534.98
4	Deferred Revenue Expenditure (to the extent not written off)	—	—
	TOTAL	17,340.85	16,375.76

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

HSBC FIXED TERM SERIES 134

		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	—	—
1.2	Interest	1,326.08	1,288.19
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	(1,629.04)	(384.31)
1.6	Realised Gains / (Losses) on Derivative Transactions	—	—
1.7	Other Income	0.02	—
	(A)	(302.94)	903.88
2	EXPENSES		
2.1	Investment Management Fees	24.38	23.53
2.2	GST on Investment Management Fees	4.39	4.24
2.3	Transfer Agents Fees and Expenses	1.89	1.78
2.4	Custodian Fees	0.66	0.63
2.5	Trusteeship Fees	—	—
2.6	Commission to Agents	17.15	16.57
2.7	Marketing & Distribution Expenses	—	0.01
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	3.39	3.24
2.10	Interest on Borrowing	—	—
2.11	Other Operating Expenses	0.30	0.14
	(B)	52.36	50.34
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	(355.30)	853.54
4	Change in Unrealised Depreciation in Value of Investments	(D) 1,328.24	(1,311.70)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	972.94	(458.16)
6	Change in Unrealised Appreciation in Value of Investments	(F) (8.09)	28.19
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	964.85	(429.97)
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	8.09	—
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	—	(28.19)
7.3	Add / (Less) : Equalisation	—	—
7.4	Transfer from Reserve Fund	591.10	1,049.26
7.5	Transfer from Unit Premium Reserve	—	—
8	Total	1,564.04	591.10
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	1,564.04	591.10

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 134		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	10.3984	10.6850
IDCW Option	10.3984	10.6850
Direct Plan - Growth Option	10.4662	10.7146
Direct Plan - IDCW Option	10.4662	10.7146
High		
Growth Option	10.9975	10.7283
IDCW Option	10.9975	10.7283
Direct Plan - Growth Option	11.1105	10.7644
Direct Plan - IDCW Option	11.1105	10.7644
Low		
Growth Option	10.3892	9.9423
IDCW Option	10.3892	9.9423
Direct Plan - Growth Option	10.4578	9.9764
Direct Plan - IDCW Option	10.4578	9.9764
End		
Growth Option	10.9975	10.3984
IDCW Option	10.9975	10.3984
Direct Plan - Growth Option	11.1105	10.4662
Direct Plan - IDCW Option	11.1105	10.4662
2. Closing Assets Under Management (Rs. in Lakhs)		
End	17,333	16,368
Average (AAuM) ¹	16,949	16,210
3. Gross income as % of AAuM ²	-1.79%	5.58%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	0.43%	0.44%
Direct Plan - Growth Option	0.06%	0.06%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.21%	0.21%
Direct Plan - Growth Option	0.02%	0.02%
5. Net Income as a percentage of AAuM ³	-2.10%	5.27%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

		HSBC FIXED TERM SERIES 134	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
	Regular IDCW Option	—	—
	Direct Plan - IDCW Option	—	—
8. Returns (%):			
a. Last One Year			
	Scheme		
	Regular Growth Option	5.7600	(2.6200)
	Direct Plan - Growth Option	6.1600	(2.2600)
	Benchmark		
	CRISIL Composite Bond Fund Index	7.6900	12.5700
b. Since Inception			
	Scheme		
	Regular Growth Option	3.4400	2.1800
	Direct Plan - Growth Option	3.8100	2.5400
	Benchmark		
	CRISIL Composite Bond Fund Index	10.2600	11.7100

^{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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

HSBC FIXED TERM SERIES 134

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and as on March 31, 2020 (Refer note 10).
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	9,957,711	0.57	17,484,182	1.07
– Depreciation	6,931,566	0.40	150,308,180	9.18
Government of India Securities				
– Appreciation	3,119,673	0.18	6,706,452	0.41
– Depreciation	–	–	–	–
Certificate of Deposit				
– Appreciation	89,592	0.01	337,567	0.02
– Depreciation	–	–	–	–

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-2021 (excluding accretion of discount) is Rs. 457,179,606 and Rs. 323,500,000 respectively being 26.97% and 19.09% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 307,449,375 and Rs. NIL respectively being 18.97% and NIL of the average daily net assets.

- 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
	2021		2020	
Debt Instruments	1,424,032,433	82.16	1,187,417,312	72.55
Total	1,424,032,433	82.16	1,187,417,312	72.55

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	0.54	22.14	1,346,963.69	85.95

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	1,300,858.00	93.41

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also Nil).

- Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL. (Previous year also Nil).
 - Devolvement - NIL (Previous year also Nil).
 - Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also Nil).
 - Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	103,955,993.609	–	–	103,955,993.609	10
IDCW Option	260,000.000	–	–	260,000.000	10
Direct Plan - Growth Option	52,846,300.000	–	–	52,846,300.000	10
Direct Plan - IDCW Option	950.000	–	–	950.000	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	103,955,993.609	–	–	103,955,993.609	10
IDCW Option	260,000.000	–	–	260,000.000	10
Direct Plan - Growth Option	52,846,300.000	–	–	52,846,300.000	10
Direct Plan - IDCW Option	950.000	–	–	950.000	10

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 1,970/- represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

10 I) Hair Cut in receivables & interest during the year in security rated below Investment Grade or Default :

31-Mar-2021

(Rs. In Lakhs)

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued #	Total Hair cut during the Year (A+B)
HSBC Fixed Term-Series 134	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	–	–	–

31-Mar-2020

(Rs. In Lakhs)

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued #	Total Hair cut during the Year (A+B)
HSBC Fixed Term-Series 134	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	1,199.79	–	1,199.79

#Interest Accrual was stopped from 04th June 2019

II) Details of sale of Below investment grade or default securities

During the year ended March 31, 2021, following securities (Below investment grade or default securities) have been sold at the value set out in the table below and the consequential loss on sale of these securities has been recognised in the revenue account.

(Rs. In Lakhs)

Scheme name	Name of the security	ISIN	Trade Date	Selling Value of the security
HSBC Fixed Term-Series 134	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	08-May-2020	285.00

There are no sale of securities (Below investment grade or default) during the year ended March 31, 2020.

III) Details of Below investment grade or default security as at year end :

As at March 31, 2021, there are no investments in Below investment grade or default securities held by the Schemes.

The table below sets out the details of investments in Below investment grade or default securities held by the Schemes as of March 31, 2020:

Scheme name	Name of the Issuer	ISIN	Rating	Principal Amount	Market Value (Rs in Lakhs)	% to Net Assets *	Value (in absolute terms) of the security considered under net receivables / current assets	Value (in % terms) of the security considered under net receivables/ current assets *
HSBC Fixed Term-Series 134	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	CARE D	1,900.00	380.13	2.32%	–	–

On May 08, 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

* For calculation of % to Net Assets and Value (in % terms), AUM as on March 31, 2020 has been considered.

- 11 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

12 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Fixed Term Series 134	Low to Moderate	Low to Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 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.
- 14 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

HSBC FIXED TERM SERIES 135

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	16,744.68	16,744.68
2 Reserves & Surplus		
2.1 Unit Premium Reserves	—	—
2.2 Unrealised Appreciation Reserve	109.47	60.68
2.3 Other Reserves	1,549.96	547.79
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/Deposits	—	—
4.2 Other Current Liabilities & Provisions	9.58	9.61
TOTAL	18,413.69	17,362.76
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	12,741.95	13,958.13
1.1.5 Securitised Debt Securities	—	—
1.2 Securities Awaited Listing:		
1.2.1 Equity Shares	—	—
1.2.2 Preference Shares	—	—
1.2.3 Equity Linked Debentures	—	—
1.2.4 Other Debentures & Bonds	—	—
1.2.5 Securitised Debt Securities	—	—
1.3 Unlisted Securities:		
1.3.1 Equity Shares	—	—
1.3.2 Preference Shares	—	—
1.3.3 Equity Linked Debentures	—	—
1.3.4 Other Debentures & Bonds	—	—
1.3.5 Securitised Debt Securities	—	—
1.4 Government Securities	2,020.14	2,056.55
1.5 Treasury Bills	—	—
1.6 Commercial Paper	—	—
1.7 Certificate of Deposits	2,083.70	—
1.8 Bill Rediscounting	—	—
1.9 Units of Domestic Mutual Fund	—	—
1.10 Foreign Securities	—	—
Total Investments	16,845.79	16,014.68
2 Deposits	0.12	—
3 Other Current Assets		
3.1 Cash & Bank Balance	0.03	0.05
3.2 TREPS / Reverse Repo Lending	421.30	510.10
3.3 Others	1,146.45	837.93
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	18,413.69	17,362.76

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 135	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	1,368.11	1,324.51
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	(1,650.56)	(350.44)
1.6	Realised Gains / (Losses) on Derivative Transactions	–	–
1.7	Other Income	0.02	–
	(A)	(282.43)	974.07
2	EXPENSES		
2.1	Investment Management Fees	30.56	29.32
2.2	GST on Investment Management Fees	5.50	5.28
2.3	Transfer Agents Fees and Expenses	2.01	1.88
2.4	Custodian Fees	0.69	0.67
2.5	Trusteeship Fees	–	–
2.6	Commission to Agents	20.88	20.11
2.7	Marketing & Distribution Expenses	–	0.01
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	3.60	3.43
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	0.32	0.15
	(B)	63.76	61.05
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	(346.19)	913.02
4	Change in Unrealised Depreciation in Value of Investments	(D)	1,348.36
			(1,331.89)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	1,002.17	(418.87)
6	Change in Unrealised Appreciation in Value of Investments	(F)	48.80
			25.20
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	1,050.97	(393.67)
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	–	–
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(48.80)	(25.20)
7.3	Add / (Less) : Equalisation	–	–
7.4	Transfer from Reserve Fund	547.79	966.66
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	1,549.96	547.79
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	1,549.96	547.79

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 135		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	10.3495	10.5928
IDCW Option	10.3495	10.5928
Direct Plan - Growth Option	10.4059	10.6159
Direct Plan - IDCW Option	10.4059	10.6159
High		
Growth Option	10.9675	10.6433
IDCW Option	10.9675	10.6433
Direct Plan - Growth Option	11.0631	10.6721
Direct Plan - IDCW Option	11.0631	10.6721
Low		
Growth Option	10.3330	9.8673
IDCW Option	10.3330	9.8673
Direct Plan - Growth Option	10.3901	9.8941
Direct Plan - IDCW Option	10.3901	9.8941
End		
Growth Option	10.9675	10.3495
IDCW Option	10.9675	10.3495
Direct Plan - Growth Option	11.0631	10.4059
Direct Plan - IDCW Option	11.0631	10.4059
2. Closing Assets Under Management (Rs. in Lakhs)		
End	18,404	17,353
Average (AAuM) ¹	17,983	17,159
3. Gross income as % of AAuM ²	-1.57%	5.68%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	0.43%	0.44%
Direct Plan - Growth Option	0.11%	0.11%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.21%	0.21%
Direct Plan - Growth Option	0.06%	0.06%
5. Net Income as a percentage of AAuM ³	-1.93%	5.32%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

		HSBC FIXED TERM SERIES 135	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
	Regular IDCW Option	–	–
	Direct Plan - IDCW Option	–	–
8.	Returns (%):		
a.	Last One Year		
	Scheme		
	Regular Growth Option	5.9700	(2.2400)
	Direct Plan - Growth Option	6.3200	(1.9200)
	Benchmark		
	CRISIL Composite Bond Fund Index	7.6900	12.5700
b.	Since Inception		
	Scheme		
	Regular Growth Option	3.4500	2.0100
	Direct Plan - Growth Option	3.7800	2.3300
	Benchmark		
	CRISIL Composite Bond Fund Index	10.2000	11.6800

^{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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

HSBC FIXED TERM SERIES 135

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and as on March 31, 2020 (Refer note 10).
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	10,889,576	0.59	22,533,603	1.30
– Depreciation	2,454,951	0.13	157,369,590	9.07
Government of India Securities				
– Appreciation	2,426,140	0.13	6,067,540	0.35
– Depreciation	–	–	–	–
Certificate of Deposit / Commercial Papers				
– Appreciation	86,487	~0.00	–	–
– 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 2020-2021 (excluding accretion of discount) is Rs. 493,984,320 and Rs. 393,000,000 respectively being 27.47% and 21.85% of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 257,732,133 and Rs. NIL respectively being 15.02% and NIL of the average daily net assets.

- 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
	2021		2020	
Debt Instruments	1,437,216,467	78.09	1,192,257,586	68.71
Total	1,437,216,467	78.09	1,192,257,586	68.71

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	1.63	50.62	1,710,465.43	89.67

Commission paid to Sponsor / AMC and its associates / related parties / group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	1,647,152.70	97.33

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL).

- Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year also Nil).
 - Devolvement - NIL (Previous year also Nil).
 - Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also Nil).
 - Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.

Notes to Accounts – Annexure I (Contd...)**To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021****4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:**

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	126,122,141.612	–	–	126,122,141.612	10
IDCW Option	128,000.000	–	–	128,000.000	10
Direct Plan - Growth Option	41,195,700.000	–	–	41,195,700.000	10
Direct Plan - IDCW Option	950.000	–	–	950.000	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	126,122,141.612	–	–	126,122,141.612	10
IDCW Option	128,000.000	–	–	128,000.000	10
Direct Plan - Growth Option	41,195,700.000	–	–	41,195,700.000	10
Direct Plan - IDCW Option	950.000	–	–	950.000	10

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 2,092/- represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

10 I) Hair Cut in receivables & interest during the year in security rated below Investment Grade or Default :

31-Mar-2021

(Rs. In Lakhs)

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued #	Total Hair cut during the Year (A+B)
HSBC Fixed Term-Series 135	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	–	–	–

31-Mar-2020

(Rs. In Lakhs)

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued #	Total Hair cut during the Year (A+B)
HSBC Fixed Term-Series 134	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	1,262.94	–	1,262.94

#Interest Accrual was stopped from 04th June 2019

II) Details of sale of Below investment grade or default securities

During the year ended March 31, 2021, following securities (Below investment grade or default securities) have been sold at the value set out in the table below and the consequential loss on sale of these securities has been recognised in the revenue account.

(Rs. In Lakhs)

Scheme name	Name of the security	ISIN	Trade Date	Selling Value of the security
HSBC Fixed Term-Series 135	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	08-May-2020	300.00

There are no sale of securities (Below investment grade or default) during the year ended March 31, 2020.

III) Details of Below investment grade or default security as at year end :

As at March 31, 2021, there are no investments in Below investment grade or default securities held by the Schemes.

The table below sets out the details of investments in Below investment grade or default securities held by the Schemes as of March 31, 2020:

Scheme name	Name of the Issuer	ISIN	Rating	Principal Amount	Market Value (Rs in Lakhs)	% to Net Assets *	Value (in absolute terms) of the security considered under net receivables / current assets	Value (in % terms) of the security considered under net receivables/ current assets *
HSBC Fixed Term-Series 135	8.9% DHFL NCD RED 04-06-2021	INE202B07IY2	CARE D	2,000.00	400.14	2.31%	–	–

On May 08, 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

#Interest Accrual was stopped from June 04, 2019

* For calculation of % to Net Assets and Value (in % terms), AUM as on March 31, 2020 has been considered.

- 11 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

12 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
	December 1, 2020	March 1, 2021	Dec 2020 to March 2021
HSBC Fixed Term Series 135	Low to Moderate	Low to Moderate	0

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 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.
- 14 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

HSBC FIXED TERM SERIES 136			
		As at	As at
		March 31, 2021	March 31, 2020
LIABILITIES			
1	Unit Capital	4,770.24	4,770.24
2	Reserves & Surplus		
2.1	Unit Premium Reserves	—	—
2.2	Unrealised Appreciation Reserve	53.14	15.19
2.3	Other Reserves	445.48	160.66
3	Loans & Borrowings	—	—
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	—	—
4.2	Other Current Liabilities & Provisions	3.82	3.65
TOTAL		5,272.68	4,949.74
ASSETS			
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	—	—
1.1.2	Preference Shares	—	—
1.1.3	Equity Linked Debentures	—	—
1.1.4	Other Debentures & Bonds	3,501.69	4,175.81
1.1.5	Securitised Debt Securities	—	—
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	—	—
1.2.2	Preference Shares	—	—
1.2.3	Equity Linked Debentures	—	—
1.2.4	Other Debentures & Bonds	—	—
1.2.5	Securitised Debt Securities	—	—
1.3	Unlisted Securities:		
1.3.1	Equity Shares	—	—
1.3.2	Preference Shares	—	—
1.3.3	Equity Linked Debentures	—	—
1.3.4	Other Debentures & Bonds	—	—
1.3.5	Securitised Debt Securities	—	—
1.4	Government Securities	511.81	522.43
1.5	Treasury Bills	—	—
1.6	Commercial Paper	—	—
1.7	Certificate of Deposits	889.43	—
1.8	Bill Rediscounting	—	—
1.9	Units of Domestic Mutual Fund	—	—
1.10	Foreign Securities	—	—
Total Investments		4,902.93	4,698.24
2	Deposits	0.34	—
3	Other Current Assets		
3.1	Cash & Bank Balance	0.03	0.02
3.2	TREPS / Reverse Repo Lending	178.99	69.12
3.3	Others	190.39	182.36
4	Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL		5,272.68	4,949.74

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 136	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	390.66	392.82
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	(458.83)	(87.80)
1.6	Realised Gains / (Losses) on Derivative Transactions	–	–
1.7	Other Income	0.01	–
	(A)	(68.16)	305.02
2	EXPENSES		
2.1	Investment Management Fees	10.06	9.47
2.2	GST on Investment Management Fees	1.81	1.70
2.3	Transfer Agents Fees and Expenses	0.57	0.53
2.4	Custodian Fees	0.20	0.21
2.5	Trusteeship Fees	–	–
2.6	Commission to Agents	7.86	7.66
2.7	Marketing & Distribution Expenses	–	0.01
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	1.02	0.97
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	0.19	0.14
	(B)	21.91	20.89
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	(90.07)	284.13
4	Change in Unrealised Depreciation in Value of Investments ((Refer Note 10 (I,II,III))	(D)	374.89
			(341.86)
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	284.82	(57.73)
6	Change in Unrealised Appreciation in Value of Investments	(F)	37.95
			6.23
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	322.77	(51.50)
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	–	–
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(37.95)	(6.23)
7.3	Add / (Less) : Equalisation	–	–
7.4	Transfer from Reserve Fund	160.66	218.39
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	445.48	160.66
9	Dividend Appropriation		
9.1	Income Distributed during the Year	–	–
9.2	Tax on Income Distributed during the Year	–	–
10	Retained Surplus / (Deficit) Carried Forward to Balance Sheet	445.48	160.66

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 136		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	10.3682	10.4764
IDCW Option	10.3682	10.4764
Direct Plan - Growth Option	10.4216	10.4963
Direct Plan - IDCW Option	10.4216	10.4963
High		
Growth Option	11.0446	10.5031
IDCW Option	11.0446	10.5031
Direct Plan - Growth Option	11.1374	10.5286
Direct Plan - IDCW Option	11.1374	10.5286
Low		
Growth Option	10.2732	9.8563
IDCW Option	10.2732	9.8563
Direct Plan - Growth Option	10.3295	9.8808
Direct Plan - IDCW Option	10.3295	9.8808
End		
Growth Option	11.0446	10.3682
IDCW Option	11.0446	10.3682
Direct Plan - Growth Option	11.1374	10.4216
Direct Plan - IDCW Option	11.1374	10.4216
2. Closing Assets Under Management (Rs. in Lakhs)		
End	5,269	4,946
Average (AAuM) ¹	5,092	4,848
3. Gross income as % of AAuM ²	-1.34%	6.29%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	0.43%	0.43%
Direct Plan - Growth Option	0.11%	0.11%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.20%	0.20%
Direct Plan - Growth Option	0.06%	0.06%
5. Net Income as a percentage of AAuM ³	-1.77%	5.86%
6. Portfolio turnover ratio ⁴	-	-
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular IDCW Option	-	-
Direct Plan - IDCW Option	-	-

Key Statistics for the year ended March 31, 2021 (Contd...)

		HSBC FIXED TERM SERIES 136	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
	Regular IDCW Option	–	–
	Direct Plan - IDCW Option	–	–
8. Returns (%):			
a. Last One Year			
	Scheme		
	Regular Growth Option	6.5200	(0.9800)
	Direct Plan - Growth Option	6.8700	(0.6600)
	Benchmark		
	CRISIL Composite Bond Fund Index	7.6900	12.5700
b. Since Inception			
	Scheme		
	Regular Growth Option	3.8500	2.2400
	Direct Plan - Growth Option	4.1800	2.5600
	Benchmark		
	CRISIL Composite Bond Fund Index	10.1400	11.6700

^{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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

HSBC FIXED TERM SERIES 136

1 Investments:-

- 1.1. It is confirmed that investments of the Schemes are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and as on March 31, 2020 (Refer note 10).
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	5,498,295	1.04	5,994,690	1.21
– Depreciation	720,185	0.14	41,000,455	8.29
Government of India Securities				
– Appreciation	457,060	0.09	1,518,760	0.31
– Depreciation	–	–	–	–
Certificate of Deposit / Commercial Papers				
– Appreciation	78,940	0.01	–	–
– Depreciation	–	–	–	–

- 1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2020-2021 (excluding accretion of discount) is Rs. 110,521,918 and Rs. 89,846,890 respectively being 21.71% and 17.65% 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 2019-2020 (excluding accretion of discount) is Rs. 88,723,848 and Rs. NIL respectively being 18.30% and NIL of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 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
	2021		2020	
Debt Instruments	398,811,658	75.69%	366,693,024	74.14%
Total	398,811,658	75.69%	366,693,024	74.14%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	0.54	62.83	647,071.40	90.17

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	632,294.10	98.57

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL. (Previous year also NIL).

- Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year also Nil).
 - Devolvement - NIL (Previous year also Nil).
 - Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also Nil).
 - Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also Nil).
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	46,892,238.414	–	–	46,892,238.414	10
IDCW Option	459,749.905	–	–	459,749.905	10
Direct Plan - Growth Option	349,450.000	–	–	349,450.000	10
Direct Plan - IDCW Option	950.000	–	–	950.000	10

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	46,892,238.414	–	–	46,892,238.414	10
IDCW Option	459,749.905	–	–	459,749.905	10
Direct Plan - Growth Option	349,450.000	–	–	349,450.000	10
Direct Plan - IDCW Option	950.000	–	–	950.000	10

- 5 Previous year's figures have been re-grouped/re-arranged where appropriate.
- 6 No contingent liabilities for the year ended March 31, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 594/- represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

10 I) Hair Cut in receivables & interest during the year in security rated below Investment Grade or Default :

31-Mar-2021

(Rs. In Lakhs)

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued #	Total Hair cut during the Year (A+B)
HSBC Fixed Term-Series 136	9.05% DEWAN HSNG FIN NCD RED 09-09-2021	INE202B07IL9	–	8.28	8.28

31-Mar-2020

(Rs. In Lakhs)

Scheme name	Name of the security	ISIN	Hair cut in receivables (A)	Hair cut in interest accrued #	Total Hair cut during the Year (A+B)
HSBC Fixed Term-Series 136	9.05% DEWAN HSNG FIN NCD RED 09-09-2021	INE202B07IL9	282.02	24.83	306.85

#Interest Accrual was stopped from 04th June 2019

II) Details of sale of Below investment grade or default securities

During the year ended March 31, 2021, following securities (Below investment grade or default securities) have been sold at the value set out in the table below and the consequential loss on sale of these securities has been recognised in the revenue account.

(Rs. In Lakhs)

Scheme name	Name of the security	ISIN	Trade Date	Selling Value of the security
HSBC Fixed Term-Series 136	9.05% DEWAN HSNG FIN NCD RED 09-09-2021	INE202B07IL9	08-May-2020	75.00

There are no sale of securities (Below investment grade or default) during the year ended March 31, 2020.

III) Details of Below investment grade or default security as at year end :

As at March 31, 2021, there are no investments in Below investment grade or default securities held by the Schemes.

The table below sets out the details of investments in Below investment grade or default securities held by the Schemes as of March 31, 2020:

Scheme name	Name of the Issuer	ISIN	Rating	Principal Amount	Market Value (Rs in Lakhs)	% to Net Assets *	Value (in absolute terms) of the security considered under net receivables / current assets	Value (in % terms) of the security considered under net receivables/ current assets *
HSBC Fixed Term-Series 136	9.05% DEWAN HSNG FIN NCD RED 09-09-2021	INE202B07IL9	CARE D	500.00	125.00	2.53%	8.28	0.17%

On May 08, 2020, these NCDS were sold by way of secondary market trades at a discount to the last valued price.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

#Interest Accrual was stopped from June 04, 2019

* For calculation of % to Net Assets and Value (in % terms), AUM as on March 31, 2020 has been considered.

- 11 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

12 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Fixed Term Series 136	Moderate	Moderate	2

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 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.
- 14 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 137	
		As at	As at
		March 31, 2021	March 31, 2020
	LIABILITIES		
1	Unit Capital	5,873.59	5,873.59
2	Reserves & Surplus		
2.1	Unit Premium Reserves	—	—
2.2	Unrealised Appreciation Reserve	179.92	114.37
2.3	Other Reserves	1,118.59	599.94
3	Loans & Borrowings	—	—
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	—	—
4.2	Other Current Liabilities & Provisions	3.57	3.02
	TOTAL	7,175.67	6,590.92
	ASSETS		
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	—	—
1.1.2	Preference Shares	—	—
1.1.3	Equity Linked Debentures	—	—
1.1.4	Other Debentures & Bonds	5,813.83	5,480.30
1.1.5	Securitised Debt Securities	—	—
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	—	—
1.2.2	Preference Shares	—	—
1.2.3	Equity Linked Debentures	—	—
1.2.4	Other Debentures & Bonds	—	—
1.2.5	Securitised Debt Securities	—	—
1.3	Unlisted Securities:		
1.3.1	Equity Shares	—	—
1.3.2	Preference Shares	—	—
1.3.3	Equity Linked Debentures	—	—
1.3.4	Other Debentures & Bonds	—	—
1.3.5	Securitised Debt Securities	—	—
1.4	Government Securities	603.69	764.79
1.5	Treasury Bills	115.68	—
1.6	Commercial Paper	—	—
1.7	Certificate of Deposits	298.11	—
1.8	Bill Rediscounting	—	—
1.9	Units of Domestic Mutual Fund	—	—
1.10	Foreign Securities	—	—
	Total Investments	6,831.31	6,245.09
2	Deposits	0.10	—
3	Other Current Assets		
3.1	Cash & Bank Balance	0.03	0.03
3.2	TREPS / Reverse Repo Lending	166.28	227.21
3.3	Others	177.95	118.59
4	Deferred Revenue Expenditure (to the extent not written off)	—	—
	TOTAL	7,175.67	6,590.92

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 137	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	542.86	521.61
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	(4.02)	(0.03)
1.6	Realised Gains / (Losses) on Derivative Transactions	–	–
1.7	Other Income	0.01	–
	(A)	538.85	521.58
2	EXPENSES		
2.1	Investment Management Fees	9.16	8.33
2.2	GST on Investment Management Fees	1.65	1.50
2.3	Transfer Agents Fees and Expenses	0.78	0.69
2.4	Custodian Fees	0.27	0.25
2.5	Trusteeship Fees	–	–
2.6	Commission to Agents	6.56	6.03
2.7	Marketing & Distribution Expenses	–	0.01
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	1.39	1.26
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	0.19	0.14
	(B)	20.20	18.41
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	518.65	503.17
4	Change in Unrealised Depreciation in Value of Investments (D)	–	–
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	518.65	503.17
6	Change in Unrealised Appreciation in Value of Investments (F)	65.55	61.96
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	584.20	565.13
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	–	–
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(65.55)	(61.96)
7.3	Add / (Less) : Equalisation	–	–
7.4	Transfer from Reserve Fund	599.94	96.77
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	1,118.59	599.94
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	1,118.59	599.94

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 137		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	11.2046	10.2523
IDCW Option	11.2046	10.2523
Direct Plan - Growth Option	11.2404	10.2575
Direct Plan - IDCW Option	11.2404	10.2575
High		
Growth Option	12.1877	11.2083
IDCW Option	12.1877	11.2083
Direct Plan - Growth Option	12.2594	11.2418
Direct Plan - IDCW Option	12.2594	11.2418
Low		
Growth Option	11.1571	10.2555
IDCW Option	11.1571	10.2555
Direct Plan - Growth Option	11.1934	10.2627
Direct Plan - IDCW Option	11.1934	10.2627
End		
Growth Option	12.1877	11.2046
IDCW Option	12.1877	11.2046
Direct Plan - Growth Option	12.2594	11.2404
Direct Plan - IDCW Option	12.2594	11.2404
2. Closing Assets Under Management (Rs. in Lakhs)		
End	7,172	6,588
Average (AAuM) ¹	6,951	6,313
3. Gross income as % of AAuM ²	7.75%	8.26%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	0.38%	0.38%
Direct Plan - Growth Option	0.11%	0.11%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.17%	0.17%
Direct Plan - Growth Option	0.06%	0.06%
5. Net Income as a percentage of AAuM ³	7.46%	7.97%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

		HSBC FIXED TERM SERIES 137	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
	Regular IDCW Option	–	–
	Direct Plan - IDCW Option	–	–
8. Returns (%):			
a. Last One Year			
	Scheme		
	Regular Growth Option	8.7700	9.2500
	Direct Plan - Growth Option	9.0700	9.5400
	Benchmark		
	CRISIL Composite Bond Fund Index	7.6900	12.5700
b. Since Inception			
	Scheme		
	Regular Growth Option	9.4100	9.9400
	Direct Plan - Growth Option	9.7000	10.2300
	Benchmark		
	CRISIL Composite Bond Fund Index	10.2500	12.4200

^{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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

HSBC FIXED TERM SERIES 137

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	17,566,633	2.45	10,581,396	1.61
– Depreciation	–	–	270,849	0.04
Government of India Securities				
– Appreciation	414,829	0.06	1,150,307	0.17
– Depreciation	–	–	24,282	~0.00
Certificate of Deposit				
– Appreciation	7,295	~0.00	–	–
– Depreciation	–	–	–	–
Treasury Bills				
– Appreciation	3,206	~0.00	–	–
– 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 2020-2021 (excluding accretion of discount) is Rs. 51,427,104 and Rs. 150,00,000 respectively being 7.40% and 2.16% 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 2019-2020 (excluding accretion of discount) is Rs. 15,398,127 and NIL respectively being 2.44% and NIL of the average daily net assets.

- 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
	2021		2020	
Debt Instruments	519,338,483	72.41%	548,030,100	83.19%
Money Market Instruments	29,811,330	4.16%	–	–
Total	549,149,813	76.57%	548,030,100	83.19%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	–	–	517,760	86.50

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	474,376	94.21

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL).
- Devolvement - NIL (Previous year also NIL).
- Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL).
- Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL).

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.
- 4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	39,813,232.391	–	–	39,813,232.391	10
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

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	39,813,232.391	–	–	39,813,232.391	10
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, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 814/- represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI*	89.04	109.69
Less: Payable to AMFI (March 2021 accrual)*	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Fixed Term Series 137	Low to Moderate	Low to Moderate	–

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 139	
		As at	As at
		March 31, 2021	March 31, 2020
	LIABILITIES		
1	Unit Capital	4,282.68	4,282.68
2	Reserves & Surplus		
2.1	Unit Premium Reserves	—	—
2.2	Unrealised Appreciation Reserve	140.84	100.17
2.3	Other Reserves	760.07	387.63
3	Loans & Borrowings	—	—
4	Current Liabilities & Provisions		
4.1	Provision for Doubtful Income/Deposits	—	—
4.2	Other Current Liabilities & Provisions	2.83	2.44
	TOTAL	5,186.42	4,772.92
	ASSETS		
1	Investments		
1.1	Listed Securities:		
1.1.1	Equity Shares	—	—
1.1.2	Preference Shares	—	—
1.1.3	Equity Linked Debentures	—	—
1.1.4	Other Debentures & Bonds	4,379.70	4,044.59
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	362.94	415.82
1.5	Treasury Bills	231.36	—
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	4,974.00	4,460.41
2	Deposits	0.14	—
3	Other Current Assets		
3.1	Cash & Bank Balance	0.02	0.84
3.2	TREPS / Reverse Repo Lending	103.35	243.84
3.3	Others	108.91	67.83
4	Deferred Revenue Expenditure (to the extent not written off)	—	—
	TOTAL	5,186.42	4,772.92

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 139	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	390.03	370.92
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	(1.35)	(0.02)
1.6	Realised Gains / (Losses) on Derivative Transactions	–	–
1.7	Other Income	0.01	–
	(A)	388.69	370.90
2	EXPENSES		
2.1	Investment Management Fees	7.18	6.55
2.2	GST on Investment Management Fees	1.29	1.18
2.3	Transfer Agents Fees and Expenses	0.56	0.50
2.4	Custodian Fees	0.21	0.19
2.5	Trusteeship Fees	–	–
2.6	Commission to Agents	5.63	5.13
2.7	Marketing & Distribution Expenses	–	0.01
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	1.01	0.91
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	0.17	0.15
	(B)	16.25	14.82
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	372.44	356.08
4	Change in Unrealised Depreciation in Value of Investments (D)	–	–
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	372.44	356.08
6	Change in Unrealised Appreciation in Value of Investments (F)	40.67	64.98
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	413.11	421.06
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	–	–
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(40.67)	(64.98)
7.3	Add / (Less) : Equalisation	–	–
7.4	Transfer from Reserve Fund	387.63	31.55
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	760.07	387.63
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	760.07	387.63

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 139		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	11.1325	10.1554
IDCW Option	11.1325	10.1554
Direct Plan - Growth Option	11.1651	10.1577
Direct Plan - IDCW Option	11.1651	10.1577
High		
Growth Option	12.0900	11.1351
IDCW Option	12.0900	11.1351
Direct Plan - Growth Option	12.1579	11.1654
Direct Plan - IDCW Option	12.1579	11.1654
Low		
Growth Option	11.0865	10.1519
IDCW Option	11.0865	10.1519
Direct Plan - Growth Option	11.1196	10.1560
Direct Plan - IDCW Option	11.1196	10.1560
End		
Growth Option	12.0900	11.1325
IDCW Option	12.0900	11.1325
Direct Plan - Growth Option	12.1579	11.1651
Direct Plan - IDCW Option	12.1579	11.1651
2. Closing Assets Under Management (Rs. in Lakhs)		
End	5,184	4,770
Average (AAuM) ¹	5,026	4,565
3. Gross income as % of AAuM ²	7.73%	8.13%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Regular Growth Option	0.38%	0.38%
Direct Plan - Growth Option	0.11%	0.11%
b. Management Fee as % of AAuM (planwise)		
Regular Growth Option	0.16%	0.17%
Direct Plan - Growth Option	0.06%	0.06%
5. Net Income as a percentage of AAuM ³	7.41%	7.80%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
Regular IDCW Option	—	—
Direct Plan - IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

		HSBC FIXED TERM SERIES 139	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
	Regular IDCW Option	–	–
	Direct Plan - IDCW Option	–	–
8.	Returns (%):		
a.	Last One Year		
	Scheme		
	Regular Growth Option	8.6000	9.5800
	Direct Plan - Growth Option	8.8900	9.8800
	Benchmark		
	CRISIL Composite Bond Fund Index	7.6900	12.5700
b.	Since Inception		
	Scheme		
	Regular Growth Option	9.4900	10.3100
	Direct Plan - Growth Option	9.7800	10.6100
	Benchmark		
	CRISIL Composite Bond Fund Index	10.5600	13.2500

^{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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

HSBC FIXED TERM SERIES 139

1 Investments:-

- 1.1. It is confirmed that investments of the Scheme are registered in the name of the Trustees for the benefit of the Scheme's unitholders.
- 1.2. Open Positions of derivatives as a % to Net Assets as of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and / or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/Securities in default beyond its maturity date as on March 31, 2021 and March 31, 2020 are NIL.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the financial years and percentages to net assets are as under :

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed / Awaiting Listing				
– Appreciation	13,449,046	2.59	9,233,774	1.94
– Depreciation	–	–	–	–
Government of India Securities				
– Appreciation	628,677	0.12	791,707	0.17
– Depreciation	–	–	8,094	~0.00
Treasury Bills				
– Appreciation	6,413	~0.00		
– 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 2020-2021 (excluding accretion of discount) is Rs. 43,526,090 and Rs. 50,00,000 respectively being 8.66% and 0.99% 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 2019-2020 (excluding accretion of discount) is Rs. 51,327,09 and NIL respectively being 1.12% and NIL of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 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
	2021		2020	
Debt Instruments	375,875,406	72.51%	321,927,584	67.48%
Total	375,875,406	72.51%	321,927,584	67.48%

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	2.39	100.00	467,476.67	90.92

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	423,645.10	99.45

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL).
 - (ii) Devolvement - NIL (Previous year also NIL).
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL).
- 3 None of the Investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	33,879,441.186	–	–	33,879,441.186	10
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

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	33,879,441.186	–	–	33,879,441.186	10
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, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 589/- represents Penal Interest received from Bank towards delay of RTGS/NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI*	89.04	109.69
Less: Payable to AMFI (March 2021 accrual)*	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.

11 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31,2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Fixed Term Series 139	Low to Moderate	Low to Moderate	–

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 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 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Abridged Balance Sheet as at March 31, 2021

Rs. in Lakhs

HSBC FIXED TERM SERIES 140

	As at March 31, 2021	As at March 31, 2020
LIABILITIES		
1 Unit Capital	3,849.88	3,849.88
2 Reserves & Surplus		
2.1 Unit Premium Reserves	—	—
2.2 Unrealised Appreciation Reserve	128.85	76.49
2.3 Other Reserves	618.66	291.17
3 Loans & Borrowings	—	—
4 Current Liabilities & Provisions		
4.1 Provision for Doubtful Income/ Deposits	—	—
4.2 Other Current Liabilities & Provisions	2.82	2.88
TOTAL	4,600.21	4,220.42
ASSETS		
1 Investments		
1.1 Listed Securities:		
1.1.1 Equity Shares	—	—
1.1.2 Preference Shares	—	—
1.1.3 Equity Linked Debentures	—	—
1.1.4 Other Debentures & Bonds	3,980.97	3,616.75
1.1.5 Securitised Debt Securities	—	—
1.2 Securities Awaited Listing:		
1.2.1 Equity Shares	—	—
1.2.2 Preference Shares	—	—
1.2.3 Equity Linked Debentures	—	—
1.2.4 Other Debentures & Bonds	—	—
1.2.5 Securitised Debt Securities	—	—
1.3 Unlisted Securities:		
1.3.1 Equity Shares	—	—
1.3.2 Preference Shares	—	—
1.3.3 Equity Linked Debentures	—	—
1.3.4 Other Debentures & Bonds	—	—
1.3.5 Securitised Debt Securities	—	—
1.4 Government Securities	336.37	340.23
1.5 Treasury Bills	134.96	—
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	4,452.30	3,956.98
2 Deposits	0.05	—
3 Other Current Assets		
3.1 Cash & Bank Balance	0.02	0.03
3.2 TREPS / Reverse Repo Lending	14.36	130.50
3.3 Others	133.48	132.91
4 Deferred Revenue Expenditure (to the extent not written off)	—	—
TOTAL	4,600.21	4,220.42

Notes to Accounts - Annexure I

Abridged Revenue Account for the year ended March 31, 2021

Rs. in Lakhs

		HSBC FIXED TERM SERIES 140	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1	INCOME		
1.1	Dividend	–	–
1.2	Interest	341.65	303.15
1.3	Realised Gain/ (Loss) on Foreign Exchange Transactions	–	–
1.4	Realised Gains/ (Losses) on Interscheme Sale of Investments	–	–
1.5	Realised Gains/ (Losses) on External Sale/ Redemption of Investments	(0.02)	(0.03)
1.6	Realised Gains/ (Losses) on Derivative Transactions	–	–
1.7	Other Income	0.01	–
	(A)	341.64	303.12
2	EXPENSES		
2.1	Investment Management Fees	6.15	4.90
2.2	GST on Investment Management Fees	1.11	0.88
2.3	Transfer Agents Fees and Expenses	0.50	0.44
2.4	Custodian Fees	0.18	0.37
2.5	Trusteeship Fees	–	–
2.6	Commission to Agents	4.96	4.22
2.7	Marketing & Distribution Expenses	–	–
2.8	Audit Fees	0.20	0.20
2.9	Investor Education Expenses	0.89	0.75
2.10	Interest on Borrowing	–	–
2.11	Other Operating Expenses	0.16	0.19
	(B)	14.15	11.95
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR (C = A - B)	327.49	291.17
4	Change in Unrealised Depreciation in Value of Investments (D)	–	–
5	NET GAINS / (LOSSES) FOR THE YEAR (E = C + D)	327.49	291.17
6	Change in Unrealised Appreciation in Value of Investments (F)	52.36	76.49
7	NET SURPLUS / (DEFICIT) FOR THE YEAR (G = E + F)	379.85	367.66
7.1	Add : Balance Transfer from Unrealised Appreciation Reserve	–	–
7.2	Less : Balance Transfer to Unrealised Appreciation Reserve	(52.36)	(76.49)
7.3	Add/ (Less) : Equalisation	–	–
7.4	Transfer from Reserve Fund	291.17	–
7.5	Transfer from Unit Premium Reserve	–	–
8	Total	618.66	291.17
9	Dividend Appropriation		
9.1	Income Distributed during the Year	–	–
9.2	Tax on Income Distributed during the Year	–	–
10	Retained Surplus/ (Deficit) Carried Forward to Balance Sheet	618.66	291.17

Notes to Accounts - Annexure I

Key Statistics for the year ended March 31, 2021

HSBC FIXED TERM SERIES 140		
	Current Year ended March 31, 2021	Previous Year ended March 31, 2020
1. NAV per unit (Rs.):		
Open		
Growth Option	10.9491	N.A.
IDCW Option	10.9491	N.A.
Direct Plan - Growth Option	10.9765	N.A.
Direct Plan - IDCW Option	10.9765	N.A.
High		
Growth Option	11.9284	10.9526
IDCW Option	11.9284	10.9526
Direct Plan - Growth Option	11.9903	10.9777
Direct Plan - IDCW Option	11.9903	10.9777
Low		
Growth Option	10.9004	10.0030
IDCW Option	10.9004	10.0030
Direct Plan - Growth Option	10.9283	10.0036
Direct Plan - IDCW Option	10.9283	10.0036
End		
Growth Option	11.9284	10.9491
IDCW Option	11.9284	10.9491
Direct Plan - Growth Option	11.9903	10.9765
Direct Plan - IDCW Option	11.9903	10.9765
2. Closing Assets Under Management (Rs. in Lakhs)		
End	4,597	4,218
Average (AAuM) ¹	4,453	4,051
3. Gross income as % of AAuM ² *	7.67%	8.03%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST on Management fees) (planwise)		
Growth Option	0.38%	0.37%
Direct Plan - Growth Option	0.11%	0.11%
b. Management Fee as % of AAuM (planwise)		
Growth Option	0.16%	0.15%
Direct Plan - Growth Option	0.05%	0.05%
5. Net Income as a percentage of AAuM ³ *	7.35%	7.71%
6. Portfolio turnover ratio ⁴	—	—
7. Total Dividend per unit distributed during the period (planwise):		
Retail		
IDCW Option	—	—
Direct Plan - IDCW Option	—	—

Key Statistics for the year ended March 31, 2021 (Contd...)

		HSBC FIXED TERM SERIES 140	
		Current Year ended March 31, 2021	Previous Year ended March 31, 2020
Corporate			
	IDCW Option	–	–
	Direct Plan - IDCW Option	–	–
8. Returns (%):			
a. Last One Year			
	Scheme		
	Growth Option	8.9400	N.A.
	Direct Plan - Growth Option	9.2400	N.A.
	Benchmark		
	CRISIL Composite Bond Fund Index	7.6900	N.A.
b. Since Inception			
	Scheme		
	Growth Option	9.5600	9.4900
	Direct Plan - Growth Option	9.8500	9.7700
	Benchmark		
	CRISIL Composite Bond Fund Index	10.5800	12.7600

^{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

Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

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 of years ended March 31, 2021 and March 31, 2020 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
		2021		2020	
Balrampur Chini Mills Ltd.	Equities	–	56,482,738	–	–
Bharti Airtel Ltd.	Equities	–	470,907,573	–	594,575,759
Max Financial Services Ltd.	Equities	–	172,035,228	–	–

- 1.4. Open positions of Securities Borrowed and/ or Lent by the scheme as of the years ended March 31, 2021 and March 31, 2020 are NIL.
- 1.5. Investment in Below investment grade and default/ Securities in default beyond its maturity date as on March 31, 2021 and as on March 31, 2020 is NIL.
- 1.6. Aggregate Unrealised Gain/ (Loss) as at the end of the financial years and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Non Convertible Debentures and Bonds Listed/ Awaiting Listing				
– Appreciation	12,622,447	2.75	7,207,474	1.71
– Depreciation	–	–	203,344	0.05
Government of India Securities				
– Appreciation	258,923	0.06	644,540	0.15
– Depreciation	–	–	–	–
Treasury Bills				
– Appreciation	3,741	~0.00	–	–
– 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 2020-2021 (excluding accretion of discount) is Rs. 33,889,761 and Rs. NIL respectively being 7.61% and NIL of the average daily net assets.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2019-2020 (excluding accretion of discount) is Rs. 378,642,804 and Rs. NIL respectively being 100.32% and NIL of the average daily net assets.

- 1.8. Non-traded securities in the portfolio: Aggregate value of Equity, Debt & Money Market Instruments and percentages to net assets are as under:

Security Category	Amount (Rupees)	Percentage to Net Assets	Amount (Rupees)	Percentage to Net Assets
	2021		2020	
Debt Instruments	330,661,961	71.92	315,280,748	74.75
Total	330,661,961	71.92	315,280,748	74.75

2 Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended

Commission paid to Sponsor/ AMC and its associates/ related parties/ group companies

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2020-2021	2.36	97.59	396,871.81	87.72

Name of Sponsor/ AMC and its associates/related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Crores]	% of Total Business received by the Fund	Commission paid [Rupees]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Associate of the Investment Manager	2019-2020	–	–	331,099.80	95.59

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies is NIL (Previous year also NIL).

- (i) Any underwriting obligations undertaken by the Schemes of the mutual funds with respect to issue of securities associate companies - NIL (Previous year - NIL).
 - (ii) Devolvement - NIL (Previous year also NIL).
 - (iii) Subscription by the Schemes in the issues lead managed by associate companies - NIL (Previous year also NIL).
 - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager - NIL (Previous year also NIL).
- 3 None of the investors held more than 25% of the total net assets of the Scheme at the year ended March 31, 2021 and March 31, 2020.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

4 Unit Capital movement during the year ended March 31, 2021 & March 31, 2020:

Description	2020-2021				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	30,183,397.374	–	–	30,183,397.374	10
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

Description	2019-2020				
	Opening Units	Subscription	Redemption	Closing Units	Face Value per unit (Rupees)
Growth Option	–	30,183,397.374	–	30,183,397.374	10
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, 2021 and March 31, 2020.
- 7 Expenses other than Management Fees are Inclusive of GST where applicable.
- 8 Other income of Rs. 522/- represents Penal Interest received from Bank towards delay of RTGS/ NEFT. (2020: 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, 2021. The break-up of which is as under:

Particulars	March 31, 2021	March 31, 2020
	Amount (in Rs. Lacs)	Amount (in Rs. Lacs)
Opening Balance as on April 01, 2020	307.40	214.68
Add: Accrual during FY 2020-21	195.77	237.54
Less: Transferred to AMFI *	89.04	109.69
Less: Payable to AMFI (March 2021 accrual) *	8.84	9.08
Add: Investment Income FY 2020-21	11.94	15.93
Less: Spent during FY 2020-21	43.73	41.98
Closing Balance as on March 31, 2021	373.49	307.40

*In accordance with SEBI circular number SEBI/HO/IMD/DF2/RS/813/2016 dated January 8, 2016.

Notes to Accounts – Annexure I (Contd...)

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2021

- 10 Following the spread of the coronavirus, on 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The identification of the virus as a new coronavirus, its subsequent spread and the situation of lock-down across India is considered as a significant event. HSBC Mutual Fund's operations are included in essential services and have continued through the lock-downs declared by the Government. Service providers like the Registrar and Transfer Agent, Custodian and Fund Accountant have carried out extensive arrangements to address business needs and continuity of operations. As on the date of signing of these financial statements, Management believes that it has taken into account, all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements and there appears to be no uncertainties relating to the going concern of any of the Schemes of the Fund for a foreseeable future. However, COVID-19 pandemic is an ongoing situation and any estimate of its impact is dependent on the future intensity, spread and duration of the situation. The Management will continue to closely monitor the situation for any material changes which may impact the Schemes of the Fund.
- 11 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 Risk-o-meter Disclosure

Scheme Name	Risk-o-meter level as on December 31, 2020 [^]	Risk-o-meter level at end of the financial year	Number of changes in Risk-o-meter during the financial year [^]
HSBC Fixed Term Series 140	Low to Moderate	Low to Moderate	–

[^]From the effective date (i.e. January 01, 2021) of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

- 13 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and The Board of Trustees of HSBC Mutual Fund at their meetings held on July 19, 2021 and July 20, 2021 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

Voting Policy and Procedures

In view of SEBI guidelines related to “Role of Mutual Funds in Corporate Governance of Public Listed Companies”, HSBC AMC has formulated its “Policy for Proxy Voting in Public Listed Companies”. The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor’s certificate for the Financial Year 2020 – 21 is forming part of our full Annual Report for the Financial Year 2020 – 21 which is 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

Link your PAN to your Aadhaar Card

Please note as per regulatory requirement, PAN-Aadhaar linking is mandatory with effect from October 1, 2021. We request you to ensure PAN-Aadhaar linking is completed for all the holders in the folio (including guardian in case of minor) in order to avoid any disruption in financial and non-financial transactions.

To check the PAN-Aadhaar linking status of your PAN visit the following link:

<https://eportal.incometax.gov.in/iec/foservices/##/pre-login/bl-link-aadhaar>

Useful Links for self service options

- **To Invest online or Update your Bank details or Nominee**
visit: <https://invest.assetmanagement.hsbc.co.in>
- **Use our 24 x 7 Chatbot - “ASKME” for any queries or service request**
visit: <https://invest.assetmanagement.hsbc.co.in>
- **To update your Personal details like PAN & Email ID**
visit: <https://new.camsonline.com>

SMS your request to HSBC Mutual Fund

- **Current Valuation** - SMS CAMS O VAL <Folio> to 56767
Example: CAMS O VAL 123456
- **Latest Account Statement via Email** - SMS CAMS O SOA <Folio> <password>* to 56767
Example: CAMS O SOA 123456 hsbc12

*The password length must be 6 characters, and must contain atleast 2 numbers and 2 alphabets.

Book-Post

If undelivered please return to:

Computer Age Management Services Private Limited (CAMS)

Unit: HSBC Mutual Fund

'C' Block, 2nd Floor, Hanudev Info Park P Ltd, SF No. 558/2, Udayampalayam Road,
Nava India, Coimbatore - 641028.

HSBC MUTUAL FUND - INVESTOR SERVICE CENTRES:

City	Address
Ahmedabad	Mardia Plaza, C. G. Road, Ahmedabad - 380 006.
Bengaluru	No. 7, HSBC Centre, M. G. Road, Bengaluru - 560 001.
Chandigarh	SCO 1, Sector 9 D, Chandigarh - 160 017.
Chennai	No. 30, 2nd Floor, Rajaji Salai, Chennai - 600 001.
Hyderabad	6-3-1107 & 1108, Rajbhavan Road, Somajiguda, Hyderabad - 500 082.
Kolkata	31, BBD Bagh, Dalhousie Square, Kolkata - 700 001.
Mumbai	16, Veer Nariman Road, Fort, Mumbai - 400 001.
New Delhi	Ground Floor, East Tower, Birla Tower, 25, Barakhamba Road, New Delhi - 110 001.
Pune	Amar Avinash Corporate City, Sector No.11, Bund Garden Road, Pune - 411 001.

Toll Free Number : 1800 200 2434/1800 258 2434 (can be dialled from all phones within India) and Investors calling from abroad may call on +91 44 39923900 to connect to our customer care centre.

HSBC Asset Management (India) Private Limited

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Website : www.assetmanagement.hsbc.co.in



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