

## **FAQs OF HSBC CRISIL IBX GILT JUNE 2027 INDEX FUND**

### **1. What is passive investing strategy?**

**Ans:** The passive investing strategy is basically on autopilot - where the fund manager replicates the same constituents of an index and is less involved in the investing strategy. Passive investing is best for those who don't want to spend much time managing their assets. They can let investments sit, and they have long-term plans. Passive investing is typically a less involved investing strategy

### **2. What are key advantages of passive strategy?**

**Ans:** Some of the key advantages of investing in passive strategy are as follows:

- **Mirroring the Index:** Replicate the index constituents
- **Lower Fees:** Low cost-efficient strategy
- **Transparency:** Benefit from broader market outlook, transparent and no lock in feature
- **Minimal Risk:** Low risk of security selection
- **Rule Based:** All indexes are created basis rules
- **No Active Management:** The fund is not managed actively and hence there is no human bias

### **3. What are Target Maturity Funds?**

**Ans:** Target maturity funds are passively managed open-ended debt funds which track predefined fixed income index. These funds have a fixed maturity and the potential to generate healthy risk adjusted performance. They follow a predefined index having securities maturing on or before a maturity date of the index.

One of the striking features of target maturity funds are they immunize investors against interest rate risk as bonds are held till maturity. Besides that, relatively lower interest rate risk, has also been attracting investors.

#### 4. What are key features of Target Maturity Funds?

**Ans:** Some of the striking features of investing in Target maturity funds are as follows:

**Optimal yields:** Offers relatively attractive yielding investments as these funds allow the investor to negate the impact of rising interest rates if they are held to maturity

**Liquidity:** Presents liquidity through investments in gilt and redemption feature with open ended nature which allows you to invest or withdraw anytime

**Quality & Safety:** Relatively low credit risk due to mix of quality debt papers such as Gilts (Government Securities), State Development Loans (SDLs), Public Sector Undertakings (PSUs), Treasury-Bills (T-Bills) and Other bonds

**Roll Down Strategy:** Buy to hold investment strategy as roll down maturity feature help achieve expectable returns over the target period

**Indicative returns:** If investors hold these funds till maturity, they can expect to earn the indicative yields as the yield-to-maturity (YTM) metric indicates the expected return

**Tax Treatment:** For investment tenures of 3 years plus, you can enjoy benefits of long term capital gains taxation. Long term capital gains in target maturity funds are taxed at only 20% after allowing for indexation benefits.

**Cost Efficient:** Given the passive investing structure of target-maturity funds, they have considerably low expense ratios

#### 5. How does Target Maturity Funds work?

**Ans:** Target maturity funds track an index investing in Government Securities (G-Secs), State Development Loans (SDLs), Corporate Bonds and Public Sector Undertaking (PSU) bonds.

The bonds pay coupons (interest) at regular intervals and face value (principal) on maturity. The coupons paid by the bonds are re-invested as per the asset allocation of the target maturity fund.

On maturity of the fund, the bonds will pay the face value and accrued interest (as applicable). The fund will pay the maturity proceeds to investors holding units of target maturity funds.

#### 6. How are Target Maturity Funds taxed?

**Ans:** The tax on target maturity funds is of fixed income funds. Funds with maturity longer than 3-years are eligible for long term capital gains (LTCG) tax at 20% with indexation (gains over and above inflation is taxable).

### **7. What is a difference between Target Maturity Funds and Fixed Maturity Plans (FMPs)?**

**Ans:** Both Target Maturity Index Funds and FMPs have fixed maturity dates. However, the main difference between the two is liquidity.

FMPs are close ended schemes; there is no liquidity before the maturity of the scheme, except on stock exchanges where the FMPs are listed. Target Maturity Index Funds, on the other hand, are open ended scheme. You can redeem units of your Target Maturity Index Funds at any time, as per your needs based on prevailing Net Asset Values (NAVs).

The other difference between the Target Maturity Index Funds and FMPs is the type of securities in which these schemes can invest. Target Maturity Index Funds can only invest in the constituents of their benchmark index like G-Secs, SDLs and Corporate bonds including PSU bonds, while FMPs can invest in other types of debt instruments also.

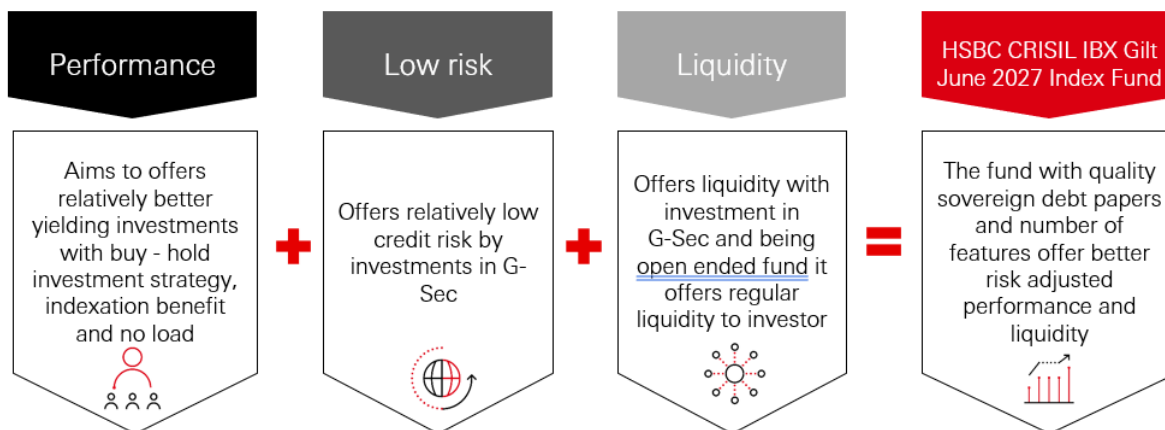
### **8. Who should opt for Target Maturity Funds?**

**Ans:** Target maturity funds are best suited for following investors:

- Suited to investors whose investment horizon matches the tenure of these funds
- Ideal for investors who are looking for a product similar to FMP's (Fixed Maturity Plans)
- Investors looking for a passively managed debt fund at low cost

### **9. What are the benefits of investing in HSBC CRISIL IBX Gilt June 2027 Index Fund?**

**Ans:** HSBC CRISIL IBX Gilt June 2027 Index Fund (An open-ended Target Maturity Index Fund tracking CRISIL-IBX Gilt Index - June 2027. Relatively high interest rate risk and relatively low credit risk) is backed by low risk, liquidity and tax benefit offers better risk adjusted performance.



Source – HSBC Asset Management India, For illustration purpose only.



## 10. Why invest in HSBC CRISIL IBX Gilt June 2027 Index Fund (HGIF)?

**Ans:** Some of the key features of HGIF are as follows:

- The mandate of the target maturity fund is to invest in line with the index construction
- The 4 – 5 year (2027) point in the yield curve remains attractive from a carry stand point and should benefit from a roll-down over a 2 to 3 year timeframe
- Yields are almost flat with very low spread on the yield curve. Currently, YTM for 2027 segment is only around 10 to 20 bps lower vs 2033 segment making it attractive in terms of risk to reward
- Further, the fund remains an attractive proposition from post-tax return perspective for investors versus comparison to Tax-free bonds (after adjusting for taxation), who intend to hold beyond 3-years+ and till maturity (June 2027), despite any near-term volatility

## HSBC CRISIL IBX Gilt June 2027 Index Fund (HGIF)

An open-ended Target Maturity Index Fund tracking CRISIL-IBX Gilt Index - June 2027. Relatively high interest rate risk and relatively low credit risk.

Scheme Name	Risk-o-meter
<p>HSBC CRISIL IBX Gilt June 2027 Index Fund</p> <p>An open-ended Target Maturity Index Fund tracking CRISIL-IBX Gilt Index - June 2027. Relatively high interest rate risk and relatively low credit risk.</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <li>Income over target maturity period</li> <li>Investments in Government Securities and T-Bills<sup>^</sup></li> </ul>	 <p>Investors understand that their principal will be at Moderate risk</p>
Benchmark Index	Benchmark Risk-o-meter
CRISIL-IBX Gilt Index - June 2027	

<sup>^</sup> Returns and risk commensurate with CRISIL-IBX Gilt Index - June 2027, subject to tracking errors.

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

HSBC CRISIL IBX Gilt Jun 2027 Index Fund			
Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	<b>All</b>		
<b>A Scheme with Relatively High interest rate risk and Low credit risk.</b>			

Product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

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