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

Index Fund - An open-ended Target Maturity Index Fund tracking CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028. Relatively High interest rate risk and Low credit risk.

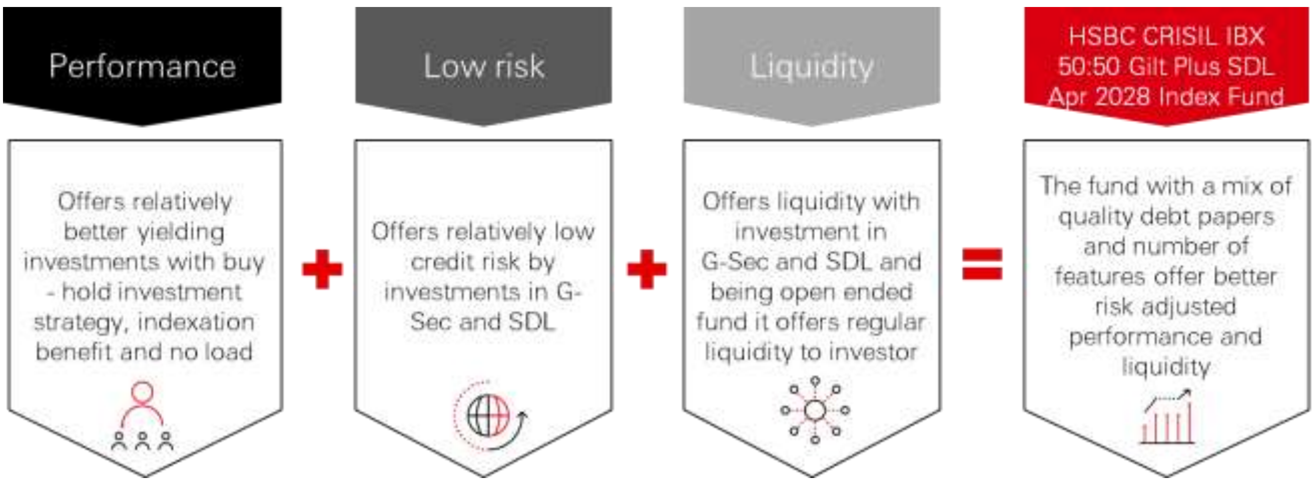
February 2023

Target Maturity Index Funds (TMIF)

The mandate of the target maturity fund is to invest in line with the index construction. At the 6 yr point of the curve, the carry remains attractive and roll-down presents an opportunity for the same over a 3 yr + time-frame. Further, the fund remains an attractive proposition for investors who intend to hold till maturity (April 2028), despite near term volatility.

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

The investment objective of the Scheme is to provide returns corresponding to the total returns of the securities as represented by the CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028 before expenses, subject to tracking errors. However, there is no assurance that the investment objective of the Scheme will be achieved.



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

- HGSF invests in the constituents of CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028
- The fund aims to track the index performance and aims to offer liquidity
- Invests in 50:50 proportion of quality G-Sec and SDL papers
- Offers relatively low credit risk by investments in G-Sec and SDL
- A roll down fund strategy to take benefits of better yields
- Regular liquidity with open ended nature of the fund and no exit load
- The fund focuses on 5-6 year point of the yield curve
- The roll down strategy can result in capital gains over medium term once interest rate cycle peaks out
- Hold to maturity with indexation benefit may offer better return profile vs bank deposits
- Attractive yield for 5-6 year offers adequate carry and roll down which could lead to lower volatility over medium term holding period versus longer duration bonds
- Offers tax benefits with 6 indexations
- HGSF with a mix of quality debt papers offer better risk adjusted performance

Find the right opportunity to meet your financial goals

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

Funds with Power of Indexation - Illustration on Indexation

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

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

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

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

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

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

Fund Category	Fund Manager	Benchmark [1]	Inception Date	AUM
Index Fund	Ritesh Jain and Kapil Lal Punjabi	CRISIL IBX 50:50 Gilt Plus SDL Apr 2028 Index	31 March 2022	Rs. 1657.82 Cr

Quantitative Data	
Average Maturity	4.65 year
Modified Duration	3.79 year
Macaulay Duration^	3.93 year
Yield to Maturity [2]	7.47%

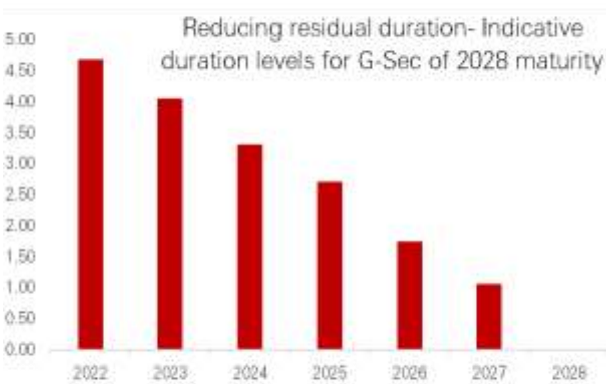
Minimum Investment		
Lumpsum ₹ 5,000	SIP ₹ 500	Additional Purchase ₹ 1,000
Exit Load / Entry Load		
NIL		

Fund Strategy

- The mandate of the target maturity fund is to invest in line with the index construction.
- Yields in the past month have remained volatile across the yield curve. Expectations around inclusion of Indian government bonds in global bond indices have supported the fixed income markets, along with a decline in crude and commodity prices while other global cues were negative with a sharp rise in US treasury and other developed market bond yields.
- The 2028 segment of the yield curve has largely moved in line with other segments of the curve. The 5-6-yr (2028) 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.
- Currently YTM for 2028 segment is only 0 to 5 bps lower vs 2032 segment making it attractive in terms of risk to reward. Further, the fund remains an attractive proposition from Post-tax return perspective for investors who intend to hold beyond 3-years+ and till maturity (April 2028), despite near term volatility.

Roll-down strategy illustration

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



[1] SEBI vide its circular no. SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652 dated October 27, 2021, on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark. Furthermore, the same is effective from 01 December 2021. Data as on 31 Jan '23.

Portfolio

Issuer	Rating	% to Net Assets
Government Securities		97.91%
7.38% GOI 20JUN2027	SOVEREIGN	22.33%
GOI 06.79% 15MAY2027	SOVEREIGN	8.42%
8.05% GUJARAT SDL 31JAN2028	SOVEREIGN	7.09%
GOI 07.17% 08JAN28	SOVEREIGN	6.64%
GOI 08.28% 21SEP27	SOVEREIGN	6.12%
GOI 08.26% 02AUG2027	SOVEREIGN	5.86%
7.88% MADHYA PRADESH 24JAN28 SDL	SOVEREIGN	5.21%
8.05% TAMILNADU SDL 18APR2028	SOVEREIGN	4.73%
6.97% KARNATAKA 26FEB2028 SDL	SOVEREIGN	4.56%
6.97% MAHARASHTRA 18FEB2028 SDL	SOVEREIGN	3.35%
6.98% MAHARASHTRA 26FEB2028 SDL	SOVEREIGN	2.13%
8.43% TAMIL NADU SDL RED 07-MARCH-2028	SOVEREIGN	1.62%
8.28% TAMILNADU SDL 14MAR2028	SOVEREIGN	1.60%
8.00% SDL-KERALA M- 11-APR-2028	SOVEREIGN	1.57%
8.20% HARYANA 31JAN28 SDL	SOVEREIGN	1.55%
7.59% UTTARPRADESH 25 Oct 2027 SDL	SOVEREIGN	1.55%
7.86% RAJASTHAN SDL 27DEC2027	SOVEREIGN	1.54%
7.82% KARNATAKA 27Dec2027 SDL	SOVEREIGN	1.54%
7.92% UTTAR PRADESH 24JAN2028 SDL	SOVEREIGN	1.53%
7.77% ANDHRA PRADESH SDL RED 10-JAN-2028	SOVEREIGN	1.53%
8.14% HARYANA 27MAR28 SDL	SOVEREIGN	1.36%
8.00% KARNATAKA SDL RED 17-JAN-2028	SOVEREIGN	1.23%
7.67% UTTARPRADESH M-29 Nov 2027 SDL	SOVEREIGN	1.23%
8.14% SDL Uttarakhand 27Mar2028	SOVEREIGN	0.95%
8.15% CHHATTISGARH 27MAR28 SDL	SOVEREIGN	0.63%
7.59% Uttarakhand 25 Oct 2027 SDL	SOVEREIGN	0.62%
8.03% KARNATAKA SDL 31JAN2028	SOVEREIGN	0.62%
7.50% TELANGANA SDL RED 15-APR-2028	SOVEREIGN	0.61%
7.64% GUJARAT 08NOV27 SDL	SOVEREIGN	0.15%
7.64% KARNATAKA SDL RED 08-NOV-2027	SOVEREIGN	0.04%
Cash Equivalent		2.09%
TREPS*		2.33%
Net Current Assets		-0.24%
Total Net Assets as on 31-JANUARY-2023		100.00%

*TREPS : Tri-Party Repo

1. YTM Based on invested Amount *TREPS : Tri-Party Repo, Data as at 31 Jan 2023

An open-ended Target Maturity Index Fund tracking CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028. Relatively high interest rate risk and relatively low credit risk.

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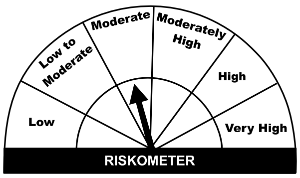


Investors understand that their principal will be at Moderate risk

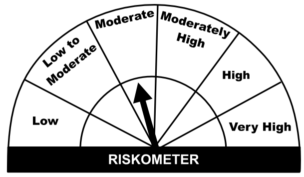
Index Fund - An open-ended Target Maturity Index Fund tracking CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028. Relatively High interest rate risk and Low credit risk.

This product is suitable for investors who are seeking*:

- Income over target maturity period
- Investment in constituents similar to the composition of CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028

* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.
Note on Risk-o-meters: Riskometer is as on 31 Jan 2023, Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme

Benchmark Index: CRISIL IBX 50:50 Gilt Plus SDL Index – April 2028



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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)	AIII		
A Scheme with Relatively High interest rate risk and Low credit risk.			

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.
Source: HSBC Asset Management India, Bloomberg, For illustration purpose only. For complete details on the index refer to SID. Past performance may or may not sustained in the future

Note - Sonal Gupta shall be dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund.

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