HSBC Mutual Fund

December - A roller-coaster

December, 2025

December is an event-filled, joyous time of the year with all the festive cheer. In terms of data and major central bank policies too, December 2025 turned out to be an action-packed month with divergent trends observed across assets classes. Following the central bank policy actions, yields across DMs ended mostly higher when compared to November – also sentiments changed as markets took cues from central banks actions that they are possibly nearing the end of their rate-easing cycle, adopting a data dependent approach going forward. Overall global and geopolitical developments continued to push gold prices higher, while supply fears kept pushing silver prices higher. Currency markets too witnessed sharp swings especially in the EM space despite a softer dollar. The global headwinds and foreign investor outflows continued to weigh on currencies, compelling policy makers to step-in to intervene, either direct or verbal.

Back home, economic data continued to show that domestic macros remain resilient in the milieu of the global headwinds, especially US-India trade deal. High-frequency indicators for November suggest that overall economic activity has held up underpinned by strong demand. Some of the lead indicators, however, are showing signs of fatigue, as the positive spillover effects from festive-demand and GST rate cuts appear to be fading away.

The RBI MPC, on 5th Dec, delivered a dovish cut while taking a 'policy-by-policy' approach. In a unanimous vote it reduced the Repo Rate by 25bps to 5.25% while maintaining a neutral stance. We see the policy decision as a dovish cut with the expectation of incremental policy easing being data dependent. We think the factors may play out positively for the RBI-MPC to reduce the Repo rate by another 25bps in 1H CY26 while in the meantime RBI may continue using its liquidity toolkit to keep system liquidity conditions easy more so during rest of Q4FY26.

Despite the slew of measures announced on 5th December by the RBI, bond yields continued to move higher through the month, as did money market rates on back of fears of tightening liquidity. Towards the end of the month, the RBI stepped up its liquidity measures again and announced additional OMO Purchases of INR 2.0 lakh crore - of INR 500 bn each (beginning with 29-Dec, 5-Jan, 12-Jan and 22-Jan) - along with a US$ 10bn FX buy/sell swap. The weekly data showed that RBI bought INR 4155 crores on-screen in the Christmas week!

Our top-down analysis indicates that the macroeconomic environment remains conducive for policy rates to remain steady and lower for longer, with risks emanating from external sector & global developments. RBI OMO purchases become a very significant factor in deciding trajectory of Indian rates. While these measures have remained liquidity supportive, the positive effects of the same on bond yields has been quite limited. The sentiments continue to remain frail amid concerns around demand-supply imbalance. This has been further exasperated by increased issuances by States. The States have indicated that they would borrow about INR 4.99 lakh crores in Q4FY26. The figure was slightly higher than market expectations which further soured sentiments, pushing yields higher. The ripple effects were visible across debt market segments. Incrementally, any confirmation of inclusion of Indian bonds in the Bloomberg Global Aggregate Index in Q1 2026 would create a very positive technical backdrop for G-sec, resulting in possible FPI inflows of USD 15-20bn into Indian Government bonds.

Accordingly, we expect the fixed income markets may consolidate, with wide trading ranges and higher volatility, as we approach the end of the easing cycle, and the markets shift focus on timing the reversal of the current loose monetary policy.

HSBC Mutual Fund

Fund positioning

Investors with short term investment horizon can look at the liquid plus category i.e. HSBC Ultra Short Duration Fund, HSBC Money Market Fund and HSBC Low Duration Fund as they offer favourable pick-up.

For investors with a medium-term horizon, HSBC Short Duration Fund, HSBC Banking & PSU Debt Fund and HSBC Corporate Bond Fund can be a good investment opportunity as they may provide accrual plus opportunities to create alpha through capital gains.

For investors with 2-year horizon, HSBC Income Plus Arbitrage FOF provides a tax efficient solution in a debt product. The underlying vis-à-vis HSBC Short Duration Fund, HSBC Banking and PSU Debt Fund and HSBC Corporate Bond Fund focus on accrual. The FOF also takes tactical calls in duration products to generate alpha depending on market opportunities.

Abbreviations:

RBI: Reserve Bank of India
MPC: Monetary Policy Committee
SDF: Standing Deposit Facility
MSF: Marginal Standing Facility
CRR: Cash Reserve Ratio
OMO: Open Market Operations
GDP: Gross Domestic Product
CPI: Consumer Price Index
SDL: State Development Loans
G-Sec/IGBs: Government Securities
EMs: Emerging Markets
FX: Foreign Exchange
AEs: Advanced Economies
EM: Emerging Markets

Scheme name — **Potential Risk Class**

HSBC Corporate Bond Fund

HSBC Banking & PSU Debt Fund

Potential Risk Class			
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)	A-III		

A relatively high interest rate risk and relatively low credit risk.

HSBC Short Duration Fund

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

A relatively moderate interest rate risk and relatively low credit risk.

Scheme name — **Potential Risk Class**

HSBC Ultra Short Duration Fund

HSBC Low Duration Fund

HSBC Money Market Fund

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

A Scheme with relatively Low interest rate risk and relatively Moderate 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.

Product Labels

Scheme name and Type of scheme

This product is suitable for investors who are seeking*

Scheme Risk-o-meter | Benchmark Index

HSBC Corporate Bond Fund (An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and relatively low credit risk)

- Generation of regular and stable income over medium to long term
- Investment predominantly in AA+ and above rated corporate bonds and money market instruments

Benchmark Index: NIFTY Corporate Bond Index A-II

HSBC Banking and PSU Debt Fund (An open ended debt scheme primarily investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. A relatively high interest rate risk and relatively low credit risk.)

- Generation of reasonable returns and liquidity over short term
- Investment predominantly in securities issued by Banks, Public Sector Undertakings and Public Financial Institutions and municipal corporations in India.

Benchmark Index: NIFTY Banking & PSU Debt Index A-II

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 (please refer to page no. 11 of SID for details on Macaulay's Duration). A Moderate interest rate risk and Relatively Low credit risk.)

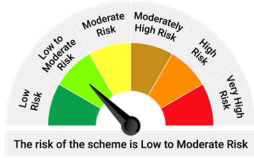
- Generation of regular returns over short term
- Investment in fixed income securities of shorter-term maturity.

Benchmark Index: NIFTY Short Duration Debt Index A-II

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. (Please refer Page No. 11 for explanation on Macaulay's duration). Relatively Low interest rate risk and moderate credit risk.)

- Income over short term with low volatility.
- Investment in debt & money market instruments such that the Macaulay Duration of the portfolio is between 3 months- 6 months.^

Benchmark Index: NIFTY Ultra Short Duration Debt Index A-I



HSBC Money Market Fund (An open ended debt scheme investing in money market instruments. Relatively low interest rate risk and moderate credit risk.)

- Generation of regular income over short to medium term
- Investment in money market instruments

Benchmark Index: NIFTY Money Market Index A-I

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. (Please refer page 11 of the SID for explanation on Macaulay Duration). A relatively low interest rate risk and moderate credit risk)

- Liquidity over short term
- Investment in Debt / Money Market Instruments such that the Macaulay^ duration of the portfolio is between 6 months to 12 months.

Benchmark Index: NIFTY Low Duration Debt Index A-I

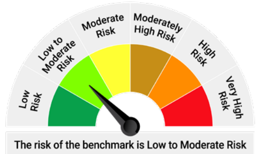
^The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.

HSBC Income Plus Arbitrage Active FOF (Erstwhile HSBC Managed Solutions India - Conservative) (An open-ended Income plus Arbitrage Active Fund of Fund scheme)

- To provide income over the long-term.
- Investing predominantly in schemes of debt mutual funds, Arbitrage Funds and money market instruments.

Benchmark Index: 65% NIFTY Short Duration Debt Index + 35% NIFTY 50 Arbitrage Index

NIFTY Short Duration Debt Index



NIFTY 50 Arbitrage Index

***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 December 2025, 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.

HSBC Mutual Fund

Source: Bloomberg, RBI, HSBC Mutual Fund, Data as on 6 Jan 2026

Note: Views provided above are based on information in public domain at this moment and subject to change. Investors are requested to consult their financial advisor for any investment decisions.

HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.

GST - 27AABCH0007N1ZS | Website: www.assetmanagement.hsbc.co.in