HSBC Money Market Fund
HSBC Mutual Fund

January 2023

Attractive investment opportunity in JFM 2023

- Policy rates close to peaking: RBI all set to reach terminal rate of 6.50% in upcoming February 2023 (from Current 6.25%) as risk to global recession re-emerge and Inflation expected to trend well below 6% in 2023

- Systemic liquidity has flipped to neutral (from huge surplus): RBI has been successful in bringing down surplus system liquidity to near neutral levels; operating rate more closer to REPO rate

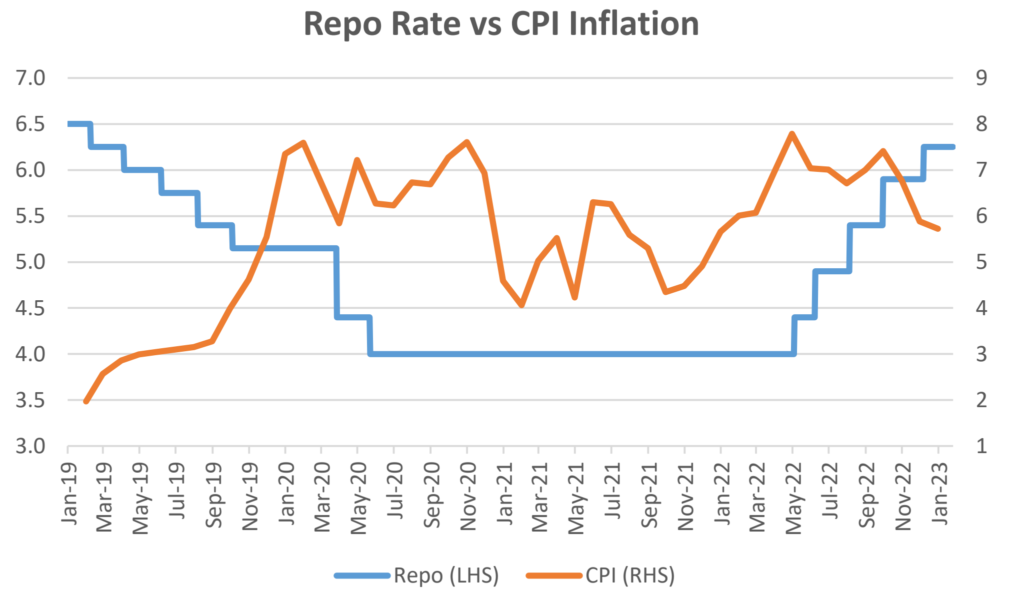
- Banking system credit – deposit trends: Mismatch has led to sharp spike in FD rates, and even more so in CD rates

- Attractiveness of 1 year CD/CPs: Various relative value indicators all point towards the 1 year CD / CP space being an attractive investment opportunity on the yield curve

- HSBC Money Market Fund plans to implement an investment strategy of investing entirely in the 9-12 month space, targeting early 2024 maturity

Policy rates close to peaking

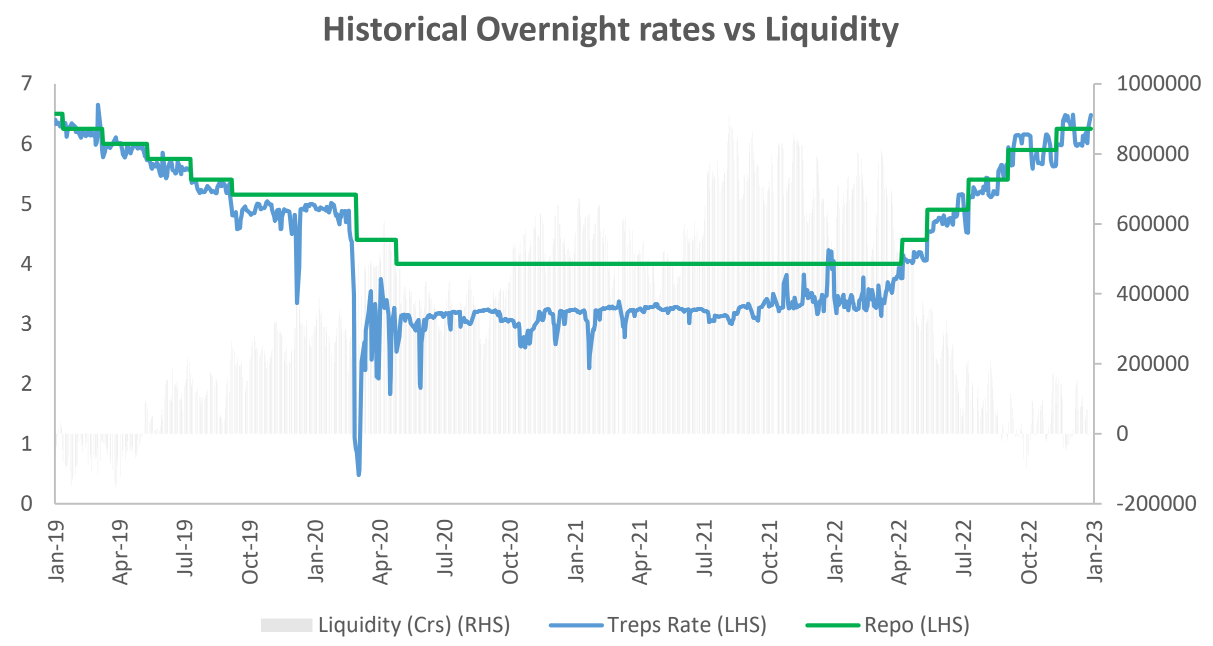
- Policy rates close to peaking: RBI all set to reach terminal rate of 6.50% in upcoming February 2023 (from Current 6.25%) as risk to global recession re-emerge and Inflation expected to trend well below 6.00% in 2023
- Cooling off in inflation prints witnessed over the last few readings, with average Q3 print lower than RBI estimates
- Going forward, pressure on MPC to further tighten rates reduces, taking markets closer to peak policy rates
- Broad market expectations is for MPC to pause at 6.50% and observe the impact of the consecutive hikes done over the last 10 months

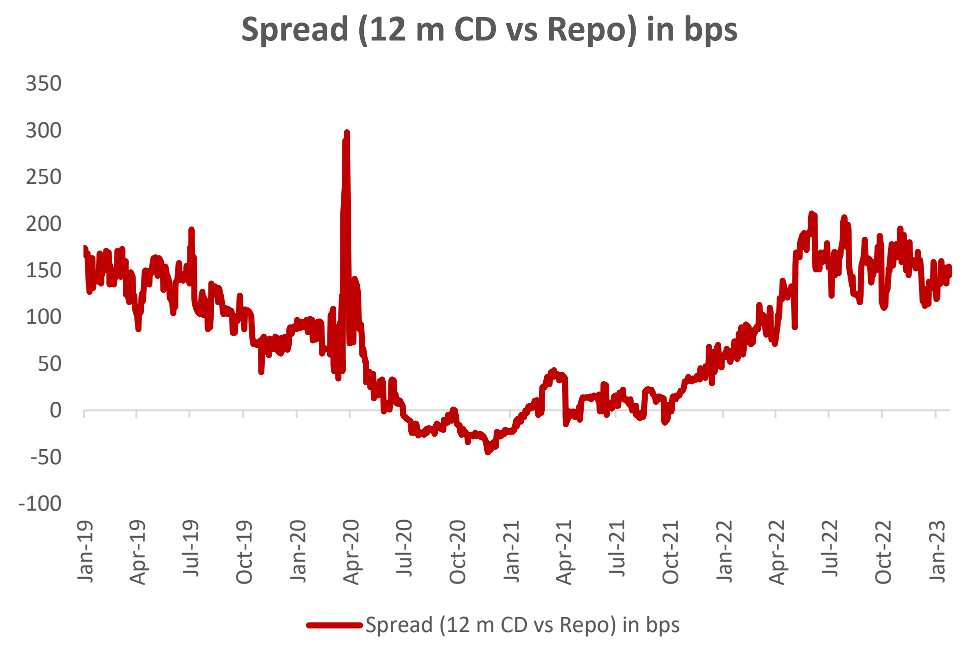


Source: Bloomberg
Data updated as on January 24, 2023

Systemic liquidity has flipped to neutral

- Systemic liquidity has flipped to neutral (from huge surplus): RBI has been successful in bringing down surplus system liquidity to near neutral levels; operating rates are now closer or above REPO rate
- Spread of 12 month CDs vs Repo is at the higher range of the band
- With liquidity likely to remain neutral to slightly negative over the next few months, elevated spreads in the 1 year space provide a good entry point

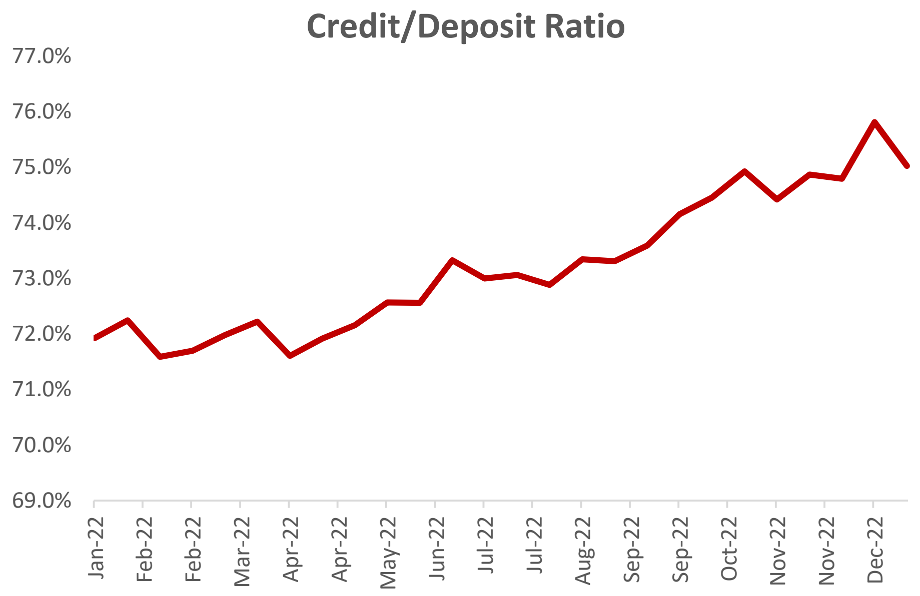


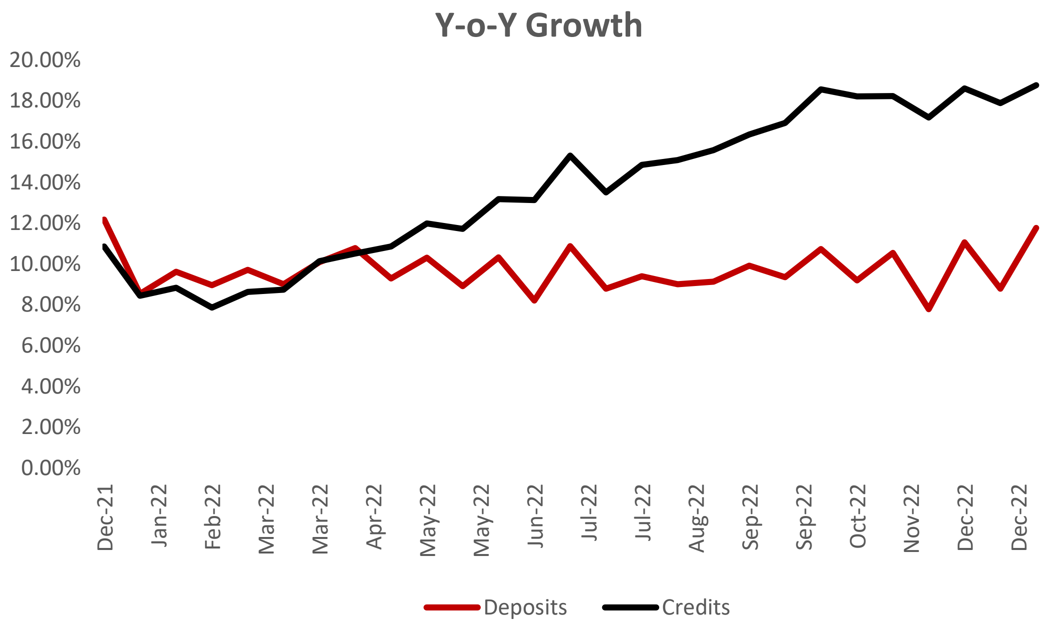


Source: Bloomberg
Data updated as on January 24, 2023

Banking Credit – Deposit trends

- Banking system credit – deposit trends: Mismatch has led to sharp spike in FD rates, and even more so in CD rates
- Gap between Incremental Credit to Deposit had widened to ~ INR 3.76 Lakh Crs from 1st April 22 to 16th Dec 22; large Deposit mobilization efforts from Banks helped them bring down the gap to ~ INR 1.45 Lakh Crs
- Credit growth has outpaced deposit growth over the last few months, and with liquidity drying up, deposit rates have already seen a sharp move up, making CD levels attractive

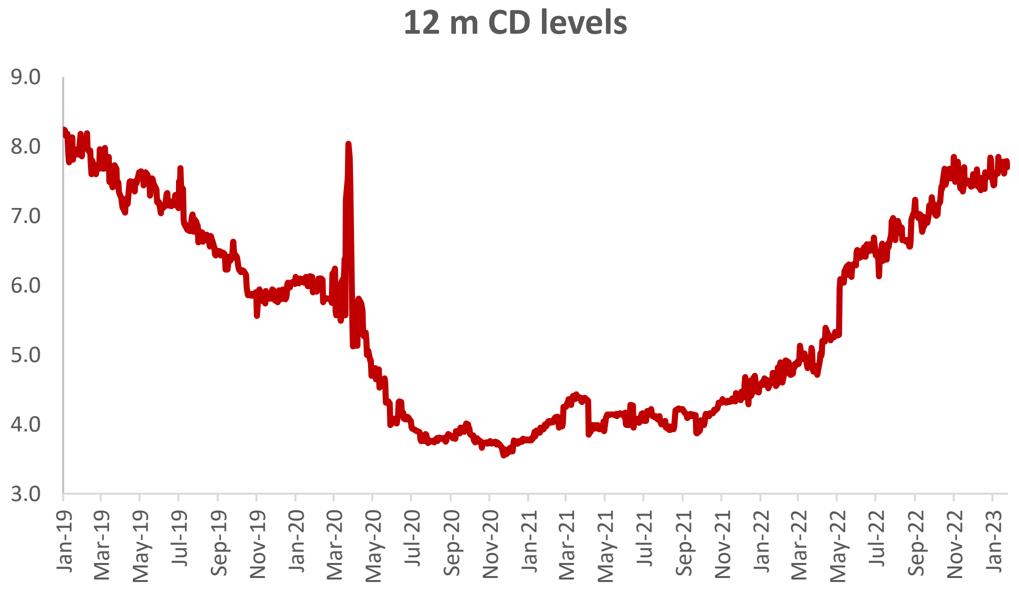


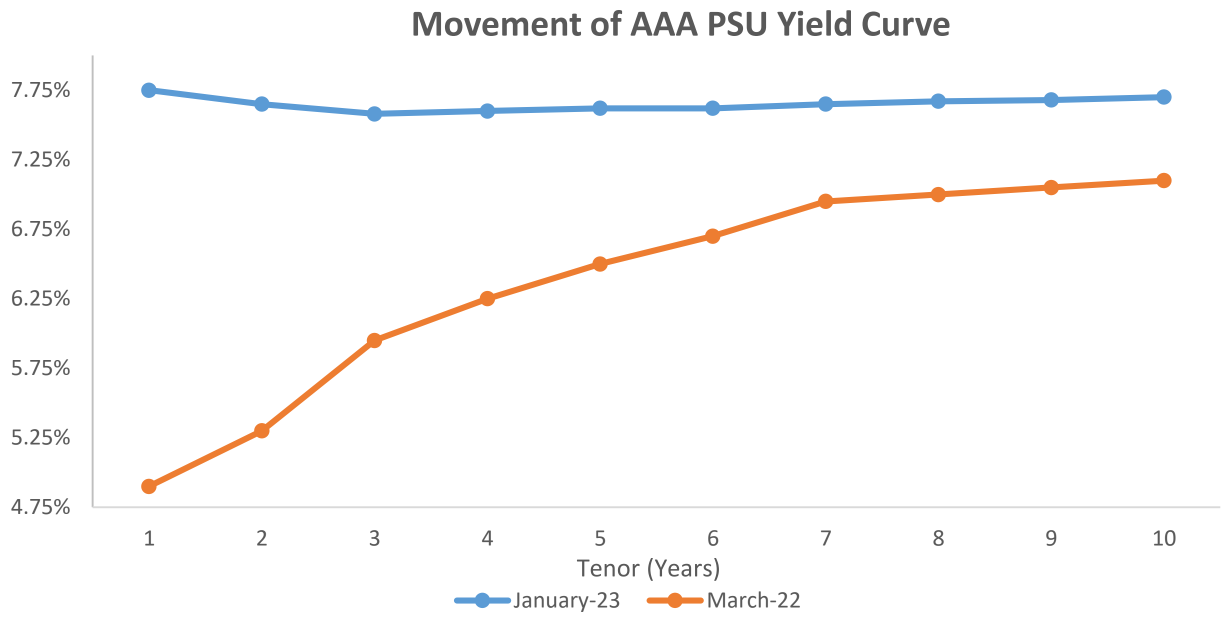


Source: RBI
Data updated as on December 31, 2022

Attractiveness of 1 year CD/CPs

- Attractiveness of 1 year CD/CPs: Various relative value indicators all point towards the 1 year CD / CP space being an attractive investment opportunity on the yield curve
- The PSU yield curve from 1 year to 10 year is inverted
- 1 year PSU yields are at 7.75% while 10 year AAA PSU corporate bonds are at 7.65%





Source: Bloomberg, Valuation Reports
Data updated as on January 24, 2023

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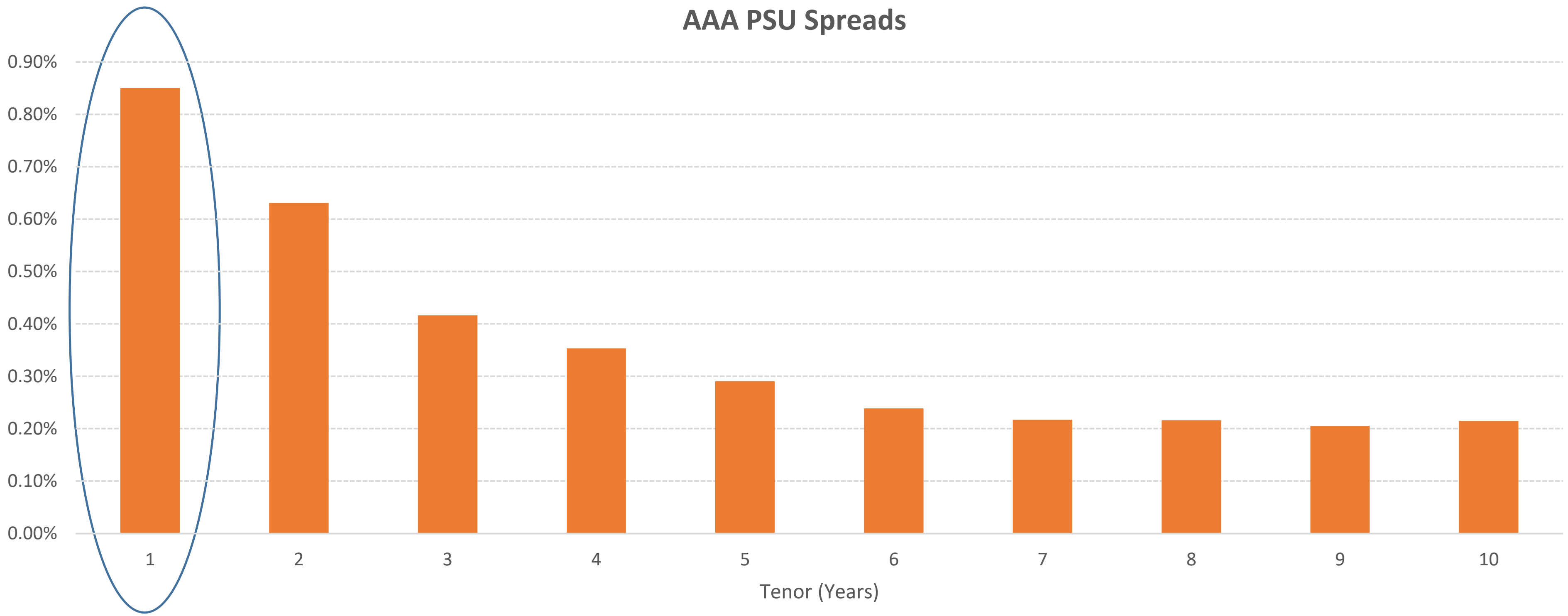
Attractiveness of 1 year CD/CPs

AAA PSU spreads over Sovereign – Attractive

- 1 year AAA PSU spreads over 1 year T-bills are at 85 bps
- This is the highest spread available vs any other point on the curve



Source: Valuation Reports
Data updated as on January 24, 2023

Attractiveness of 1 year CD/CPs

Historical 1 year AAA PSU spreads over Sovereign

- 1 year AAA PSU spreads over 1 year T-bills are at 85 bps
- This is the highest spread available over sovereign in the last 2years.

Source: Bloomberg
Data updated as on January 24, 2023

HSBC Money Market Fund Investment Strategy

HSBC Money Market Fund plans to implement an investment strategy of investing entirely in the 9-12 month space, targeting early 2024 maturity

- Our Overview:
  - Repo rate to reach 6.50% by Feb 2023
  - Liquidity to remain neutral to slightly negative
  - Credit/Deposit gap to narrow due to increase in deposit rates
  - Supply from Banks to peak out by February 2023

- Strategy:
  - Increase Duration to ~10-11 months
  - Potential YTM ~7.75%
  - Strategy implementation period: February 23
  - Investment horizon: 6-8 months

Scenario Analysis

The Investment Strategy offers abundant cushion to absorb upward move in rates, while outperforming if rates remain stable or fall

Investing in a 1 year product with a holding period of 6 months vs investing in a 6 months product

1 year CD level: 7.75%
6 month CD level: 7.50%
Investment horizon: 6 months
Today referred to as 'T'
6 months hence referred to as 'T+6m'

6 month CD levels at T+6m	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%
Change in 6 month CD levels (T+6m vs T)	-0.50%	-0.25%	0.00%	0.25%	0.50%	0.75%	1.00%
Investment Return (6 months)	8.39%	8.17%	7.96%	7.75%	7.54%	7.33%	7.11%
6 month CD level (at T)	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Return difference	0.89%	0.67%	0.46%	0.25%	0.04%	-0.17%	-0.39%

- If 6 month rates stay at similar levels, the investment can generate returns of around ~8%
- The strategy offers enough cushion even if 6 month rates move up by up to 50 bps
- Investors with an investment horizon of 6-8 months can benefit from this roll-down strategy

Calculation is internal and for illustrative purpose only, Levels considered as of January 24, 2023
The above figures are hypothetical and actual figures may vary according to market scenarios

HSBC Money Market Fund

Fund snapshot and approach

Fund Category	Fund Manager	Benchmark [1, 2]	Inception Date	AUM
Money Market	Kapil Lal Punjabi and Shriram Ramanathan	Nifty Money Market Index B-I	10 Aug 2005	INR 680.05 Crs

- An open ended debt scheme investing in money market instruments. A relatively Low interest rate risk and Moderate credit risk.
- Aims to selectively invest in higher yielding-good quality credits, while also maintaining adequate portfolio liquidity.
- Current investment mix of T-Bills, CDs and CPs
- The scheme looks to position into maturity buckets to extract maximum value along the money market yield curve

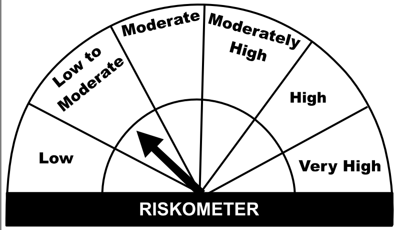
Issuer	Sum of % portfolio
GOI	11.68%
KOTAK MAHINDRA BANK LIMITED	7.74%
ICICI SECURITIES LIMITED	7.30%
HDFC SECURITIES LIMITED	7.26%
KOTAK SECURITIES LIMITED	7.25%
EXPORT IMPORT BANK OF INDIA	7.14%
CANARA BANK	7.03%
HDFC BANK LIMITED	7.03%
SMALL INDUSTRIES DEVELOPMENT BANK OF I	7.01%
AXIS BANK LIMITED	6.89%
BANK OF BARODA	6.88%
CASH	5.86%
RELIANCE JIO INFOCOMM LIMITED	3.66%
RELIANCE RETAIL VENTURES LIMITED	3.66%
HDFC LTD	3.64%
Grand Total	**100.00%**

Money Market Fund	
AUM (INR Crs)	680.05
Cash	5.86%
CP	32.77%
CD	49.72%
NCD	0.00%
G-Sec & T-Bill	11.68%
YTM (%)	7.05%
Avg Maturity (in Days)	151 days
Mod Duration (in Days)	151 days

Source: Factsheet
Data updated as on December 31, 2022

Product Label

HSBC Money Market Fund (Erstwhile L&T Money Market Fund)



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

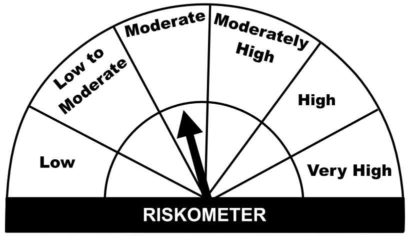
An open ended debt scheme investing in money market instruments. Relatively Low interest rate risk and Moderate credit risk.

This product is suitable for investors who are seeking*:

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

* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.
^ 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.
Note on Risk-o-meters: Riskometer is as on 31 Dec 2022, 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: Nifty Money Market Index B-I



Potential Risk Class (HSBC Money Market Fund)			
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 Moderate credit risk.			

All data as of December 31, 2022.

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

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