

## Product Note

### HSBC Dynamic Bond Fund (HDBF) (Erstwhile L&T Flexi Bond Fund)

Dynamic Bond Fund - An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively low credit risk.

(HSBC Corporate Bond Fund & HSBC Flexi Debt Fund has merged into L&T Flexi Bond Fund and the surviving scheme has been renamed)

January 2023

Fund Category	Fund Manager	Benchmark <sup>1, 2</sup>	Inception Date	AUM
Dynamic Bond	Jalpan Shah and Shriram Ramanathan	NIFTY Composite Debt Index A-III	27 Sep 2010	Rs. 212.86 Cr

Quantitative Data		Minimum Investment		
Average Maturity	3.81 year	Lumpsum ₹ 5,000	SIP ₹ 500	Additional Purchase ₹ 1,000
Modified Duration	2.95 year	Exit Load / Entry Load		
Macaulay Duration <sup>^</sup>	3.10 year			
Yield to Maturity	7.41%	NIL		

### Fund Strategy

- Actively managed fund investing across the yield curve in Govt. Securities and high quality AAA rated credits to generate alpha
- Dynamic duration management to seize potential upsides when interest rates are expected to soften while also reducing risks in an uncertain environment
- Diversified portfolio spread across government securities, corporate bonds and money market instruments.
- Investments in a highly liquid portfolio so as to enable positioning changes based on evolving scenario.
- ~ 50-55% of the portfolio is invested in Corporate bonds in 1-3 year segment for higher accrual. Overweight Corporate Bonds in this segment as spreads over Gsec are relatively better in this part of the curve.
- ~ 40-45% of the portfolio is invested in 4 to 10 year Gsec for higher duration. Overweight Gsec in this segment as Corporate Bond spreads over Gsecs are lower in this part of the curve.

### Why HSBC Dynamic Bond Fund?

- The fund aims to generate alpha using all sources of generating returns: Yield accruals through high quality credit selection and active duration management.
- Irrespective of the interest rate cycle, the fund through active duration management along with dynamic asset allocation has generated positive returns from even the lowest interest rates in the cycle
- The fund is ideal for investors seeking appropriate risk adjusted returns in a volatile interest rate environment.
- In the current scenario where interest rates are nearing the peak in this cycle, there are opportunities to capture alpha through strategic overweight duration in this fund.

<sup>1</sup> SEBI vide its circular no. SEBI/HO/MD/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 <sup>2</sup> Fund's benchmark has changed with effect from April 01, 2022.  
Data as on 31 Dec 2022

The fund has undergone merger/consolidation along with changes to its fundamental attributes as per the notice published on 15 Oct '22. For more details visit our website page - <https://www.assetmanagement.hsbc.co.in/en/mutual-funds/acquisition-of-lt-mutual-fund>.

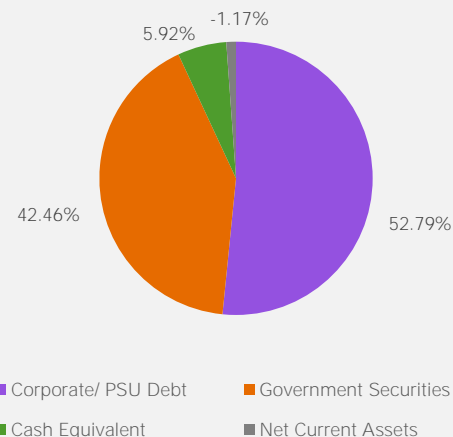
## Portfolio

Issuer	Rating	% to Net Assets
<b>Corporate/ PSU Debt</b>		
<b>Corporate Bonds / Debentures</b>		<b>52.79%</b>
REC Limited	CRISIL AAA	7.40%
Reliance Industries Limited	CRISIL AAA	7.38%
Indian Oil Corporation Limited	ICRA AAA	7.27%
National Housing Bank	CRISIL AAA	7.23%
National Bank for Agriculture & Rural Development	ICRA AAA	7.21%
Small Industries Development Bank of India	CARE AAA	7.21%
LIC Housing Finance Limited	CRISIL AAA	4.60%
Housing Development Finance Corporation Limited	CRISIL AAA	4.49%
<b>Government Securities</b>		<b>42.46%</b>
7.26% GOI 22AUG2032	SOVEREIGN	19.19%
7.38% GOI 20JUN2027	SOVEREIGN	18.94%
GOI 07.72% 25MAY25	SOVEREIGN	2.40%
07.26% GS 2029	SOVEREIGN	1.21%
GOI 07.17% 08JAN28	SOVEREIGN	0.48%
GOI 07.68% 15DEC2023	SOVEREIGN	0.24%
<b>Cash Equivalent</b>		<b>4.75%</b>
<b>TREPS*</b>		<b>5.92%</b>
<b>Net Current Assets</b>		<b>-1.17%</b>
<b>Total Net Assets as on 31-DECEMBER-2022</b>		<b>100.00%</b>

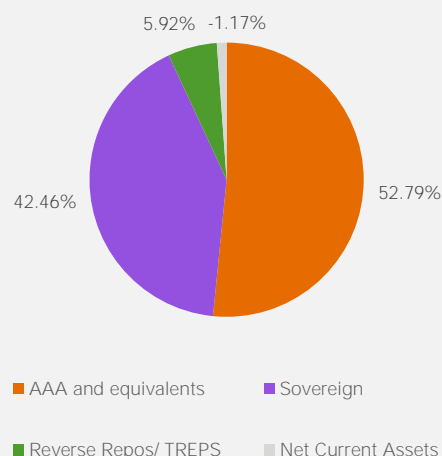
\*TREPS : Tri-Party Repo



### Asset Allocation

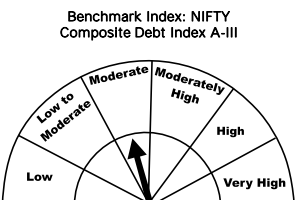


### Rating Portfolio



Investment Objective

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 can be no assurance or guarantee that the investment objective of the scheme would be achieved.

HSBC Dynamic Bond Fund (Erstwhile L&T Flexi Bond Fund)		
 <p>Investors understand that their principal will be at Moderate risk</p>	<p><b>Dynamic Bond Fund</b> - An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively low credit risk.</p> <p><b>This product is suitable for Investors who are seeking*:</b></p> <ul style="list-style-type: none"><li>• Generation of reasonable returns over medium to long term</li><li>• Investment in fixed income securities</li></ul> <p><small>* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</small></p> <p><b>Note on Risk-o-meters:</b> 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</p>	<p><b>Benchmark Index:</b> NIFTY Composite Debt Index A-III</p>  <p>RISKOMETER</p>

Potential Risk Class (HSBC Dynamic Bond Fund)			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		
A Scheme with Relatively High interest rate risk and Low credit risk.			

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

Past performance is not an indicator of future returns. Source: HSBC Asset Management India, data as at 31 Dec 2022,

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