

Product Note

HSBC Medium Duration Fund (HMDF) (Erstwhile L&T Resurgent India Bond Fund)

Medium Duration Fund - An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years (for details on Macaulay's Duration please refer to the SID under the section "Asset Allocation Pattern"). A relatively high interest rate risk and moderate credit risk.

January 2023

Fund Category	Fund Manager	Benchmark ^{1, 2}	Inception Date	AUM
Medium Duration	Shriram Ramanathan and Kapil Lal Punjabi	NIFTY Medium Duration Debt Index B-III	2 Feb 2015	Rs. 663.66 Cr

Quantitative Data		Minimum Investment		
Average Maturity	4.12 year	Lumpsum ₹ 5,000	SIP ₹ 500	Additional Purchase ₹ 1,000
Modified Duration	2.99 year	Exit Load / Entry Load		
Macaulay Duration [^]	3.14 year			
Yield to Maturity	8.03%	NIL		

Fund Strategy

- Aims at delivering yield pick up through judicious exposure to high quality/relatively less liquid space, while keeping adequate liquidity
- 80-85% of the portfolio in AAA or equivalent securities; Nil exposure to AA- and below rated names
- Almost 40% of portfolio exposure to Cash and G-Sec; adequate fire power available given the high proportion of G-Sec in the portfolio, to opportunistically evaluate deals with good yield pick up
- Strategic duration management in an Accrual product
- Took a strategic underweight Duration call in Feb 2021 basis the evolving macro-economic conditions and continued with the underweight positioning through the rising interest rate environment. Recently increased Duration of the portfolio to above 3, reversing the underweight positioning

Why HSBC Medium Duration Fund?

- Creating alpha by identifying pockets of value propositions, vis-à-vis yield curve steepness, attractive carry opportunities, elevated credit spreads, etc.
- Rigorous credit selection process to ensure good portfolio quality; Latest rating actions are stable/upward on the entire portfolio; Nil downgrades
- Demonstrated ability to strategically manage Duration in periods of volatile interest rates
- With interest rates consolidating at a higher level, a strategy combining a prudent mix of strategic Duration calls and Accrual product is well suited for investors with 3 year horizon
- Currently offers 60-80 bps over plain vanilla AAA bond funds, driven by niche positioning

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 ² Fund's benchmark has changed with effect from April 01, 2022.

Data as on 31 Dec 2022

The fund had 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>.

Why HSBC Medium Duration Fund?

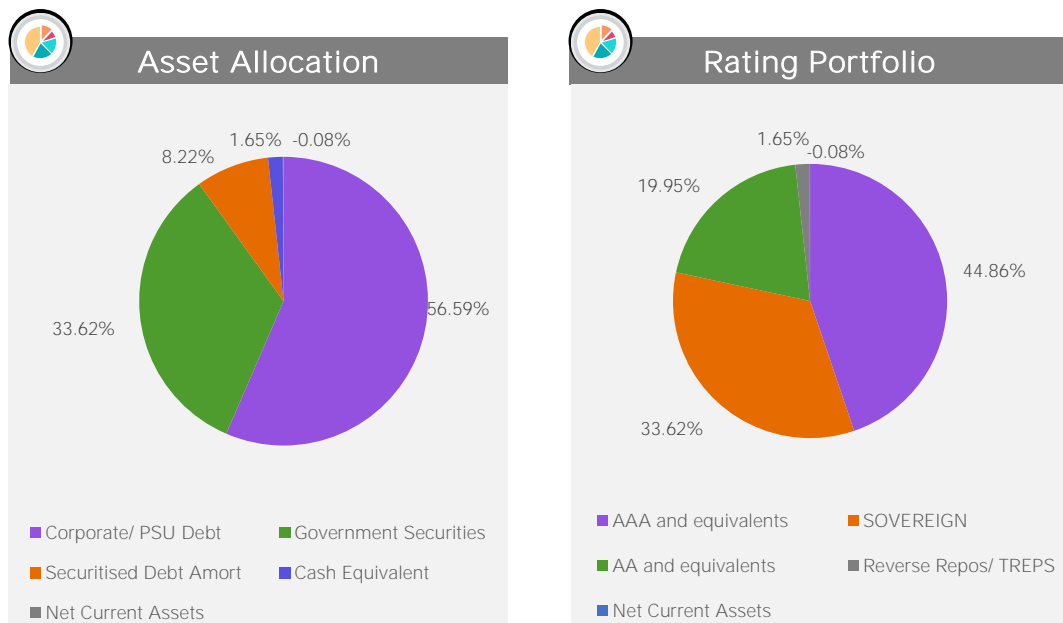
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Portfolio Quality

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Investment Objective

To seek to generate income by investing primarily in debt and money market securities. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.

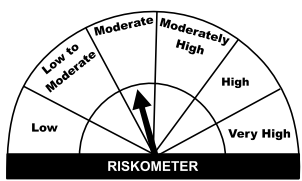
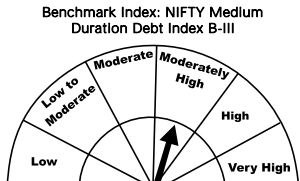


Portfolio

Issuer	Rating	% to Net Assets
Corporate/ PSU Debt		
Corporate Bonds / Debentures		56.59%
ONGC Petro Additions Limited (Letter of comfort from Oil & Natural Gas Corporation Limited)	ICRA AAA	7.56%
Embassy Office Parks REIT	CRISIL AAA	7.41%
NIIF Infrastructure Finance Limited	ICRA AAA	6.65%
Tata power Company Limited	IND AA	4.72%
Oriental Nagpur Betul Highway Limited (Nhavi Annuity Receivables)	CRISIL AAA	4.57%
Patel Knr Heavy Infrastructures Limited (Nhavi Annuity Receivables)	CARE AA+	4.28%
Shriram Finance Limited (Erstwhile Shriram Transport Finance Company Limited)	CRISIL AA+	4.03%
Sikka Ports & Terminals Limited (Mukesh Ambani group)	CRISIL AAA	3.84%
Bharti Telecom Limited	CRISIL AA+	3.80%
IIFL Home Finance Limited	ICRA AA	3.12%
Yarrow Infrastructure Pvt Limited (Vector green energy sponsored co-obligor structure)	IND AAA(CE)	2.07%
IOT Utkal Energy Services Limited (Long term take or pay agreement with IOCL)	CRISIL AAA	1.82%
Vector Green Prayagraj Solar Pvt Limited (Vector green energy sponsored co-obligor structure)	IND AAA(CE)	0.76%
Malwa Solar Power Generation Pvt Limited (Vector green energy sponsored co-obligor structure)	IND AAA(CE)	0.65%
Sepset Constructions Pvt Limited (Vector green energy sponsored co-obligor structure)	IND AAA(CE)	0.65%
Power Finance Corporation Limited	CRISIL AAA	0.46%
Priapus Infrastructure Pvt Limited (Vector green energy sponsored co-obligor structure)	IND AAA(CE)	0.10%
Citra Real Estate Limited (Vector green energy sponsored co-obligor structure)	IND AAA(CE)	0.10%
Securitized Debt Amort		8.22%
First Business Receivables Trust (Backed by receivables from Reliance Industries, Reliance Retail, Reliance Jio)	CRISIL AAA(SO)	8.22%
		33.62%
7.26% GOI 22AUG2032	SOVEREIGN	19.24%
7.38% GOI 20JUN2027	SOVEREIGN	9.87%
7.54% GOI 23MAY2036	SOVEREIGN	3.06%
5.22% GOI 15JUN2025	SOVEREIGN	1.45%
Cash Equivalent		1.57%
TREPS*		1.65%
Net Current Assets:		-0.08%
Total Net Assets as on 31-DECEMBER-2022		100.00%

*TREPS : Tri-Party Repo

Source: HSBC Asset Management India, data as at 31 Dec 2022

HSBC Medium Duration Fund (Erstwhile L&T Resurgent India Bond Fund)		
 <p>Investors understand that their principal will be at Moderate risk</p>	<p>Medium Duration Fund - An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years (for details on Macaulay's Duration please refer to the SID under the section "Asset Allocation Pattern"). A relatively high interest rate risk and moderate credit risk.</p> <p>This product is suitable for Investors who are seeking*:</p> <ul style="list-style-type: none">• Generation of income over medium term• Investment primarily in debt and money market securities <p><small>* 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.</small></p> <p>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</p>	<p>Benchmark Index: NIFTY Medium Duration Debt Index B-III</p> 

Potential Risk Class (HSBC Medium Duration 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)		B-III	
A Scheme with Relatively High interest rate risk and Moderate 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.