

HSBC MUTUAL FUND

NOTICE

Merger of HSBC Global Consumer Opportunities Fund with HSBC Asia Pacific (Ex Japan) Dividend Yield Fund and introduction of provisions for creation of segregated portfolio under HSBC Asia Pacific (Ex Japan) Dividend Yield Fund

Notice is hereby given that the Board of Directors of HSBC Asset Management (India) Private Limited (“**HSBC AMC**”) and Board of Trustees (“**the Trustee**”), of HSBC Mutual Fund (“**HSBC MF**”), have approved the merger of **HSBC Global Consumer Opportunities Fund**, an open ended fund of fund scheme investing in HSBC Global Investments Fund - China Consumer Opportunities Fund (hereinafter referred to as “**HGCOF**” / “**Transferor Scheme**”) into **HSBC Asia Pacific (Ex Japan) Dividend Yield Fund**, an open ended fund of fund scheme investing in HSBC Global Investments Fund - Asia Pacific Ex Japan Equity High Dividend Fund (hereinafter referred to as “**HAPDYF**” / “**Transferee Scheme**”).

Further, in order to ensure fair treatment to all investors in case of a credit event and to deal with liquidity risk, SEBI, vide its circular no. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018 (read with SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2019/127 dated November 07, 2019), has allowed segregated portfolio of debt & money market instruments by mutual fund schemes, in case of credit event. Accordingly, it is proposed to introduce provisions for creation of segregated portfolio in the Scheme Information Document (SID) & Key Information Document (KIM) of the Transferee Scheme (HAPDYF). In case a need arises in future, such provisions will allow segregation of security in case of a credit event at issuer level. This will help ring fence an impaired asset and will restrict cascading effect of illiquidity on the rest of the portfolio. Hence, an enabling clause in the SID and KIM for creation of segregated portfolio is in the interest of investor as this will ensure fair treatment to all unit holders. Additionally, it is proposed to reword investment strategy section in the SID of HAPDYF.

HSBC AMC proposes to give exit option to the unitholders of both Transferor Scheme and Transferee Scheme. Accordingly, as unitholder of Transferor Schemes and/ or Transferee Scheme, if you are not in agreement with the aforesaid proposals then you may exercise an option to redeem/ switch your investment from the Transferor Schemes and / or Transferee Scheme without payment of any exit load, during the notice period indicated herein.

The Securities and Exchange Board of India (“SEBI”) has also granted it’s no objection to the aforesaid merger of HGCOF with HAPDYF and introduction of provisions for creation of segregated portfolio & rewording of investment strategy section under HAPDYF.

A. Rationale for Merger

HGCOF’s objective is to provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds (HGIF) China Consumer Opportunities Fund (Underlying Scheme). The Scheme may, also invest a certain proportion of its corpus in money market instruments and / or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. It has been decided by the Board of Underlying Scheme to liquidate the same and it will cease to exist by May 2021. Accordingly, post liquidation of the Underlying Scheme, HGCOF will not be able to comply with the asset allocation pattern as per SID. Thus, the Board of HSBC AMC and Trustees have approved merger of HGCOF into HAPDYF.

B. Effective date

The aforesaid proposals shall be effective from May 13, 2021 (“Effective Date”). Further, pursuant to merger of HGCOF with HAPDYF, the Transferor Scheme (HGCOF) would cease to exist from May 13, 2021.

C. Consequences / impact of the aforesaid proposals

- Pursuant to the proposed merger, the sale of units in the Transferor Scheme (HGCOF) will be suspended effective from April 13, 2021 (Start Date of Exit option) i.e. no fresh subscription including switch-ins and registration for Systematic Investment Plan (SIP) / Systematic Withdrawal Plan (SWP) / Systematic Transfer Plan (STP) will be accepted in the Transferor Schemes with effect from April 13, 2021 (Start Date of Exit option).
- Merger of schemes is considered as a change in the fundamental attributes of the transferor scheme as per SEBI Circular No. SEBI/MFD/Cir No. 05 / 12031 / 03 dated June 23, 2003. As per Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996 (“MF Regulations”), a change in fundamental attributes can be carried out only after the unitholders of the concerned scheme have been informed of the change via written communication and an option to exit the scheme within a period of 30 days at the prevailing NAV without any exit load is provided to them. Accordingly, unitholders in the Transferor Scheme and Transferee Scheme are given 30 days written notice of the aforesaid proposals and provided an option to exit from the respective schemes with no exit load during the notice period.
- Consequent to the aforesaid merger, except for introduction of the provisions related to creation of segregated portfolio and rewording of investment strategy section, there will be no change in the investment objective, asset allocation, investment pattern, annual scheme recurring expenses, risk-o-meter or any other provisions as contained in the SID of the Transferee Scheme and no new scheme will come into existence.
- Unitholders of Transferor Scheme and Transferee Scheme may note that no action is required in case they are in agreement with the aforesaid proposals. The offer to exit at no exit load during the notice period is not compulsory and exercise is at the discretion of the unitholder.

D. Exit Option for unitholders of the Transferor Scheme and Transferee Scheme

- In case the unitholders are not in agreement with the aforesaid proposals then they may switch their investments held in the respective schemes to any other scheme(s) of HSBC MF or redeem their investments, within a period of 30 days starting from April 13, 2021 to May 12, 2021 (both days inclusive), at the applicable NAV (as on the date and time of receipt of your application for switch/redemption at any of the designated Official Points of Acceptance), without payment of exit load, if any. The applications can also be made through the website of the fund <https://invest.assetmanagement.hsbc.co.in>, or through the website of the Fund’s Registrar & Transfer Agent (CAMS), i.e. www.camsonline.com. Additionally, website / mobile application of MFUI shall be eligible to be considered as ‘official points of acceptance’ for all financial and non-financial transactions in the schemes of HSBC Mutual Fund electronically. For further information, kindly refer to the website of MFUI at www.mfuindia.com. Unitholders of HGCOF who do not exercise the exit option before 3.00 p.m. on May 12, 2021, shall be deemed to have consented to the proposed merger and will be allotted units under the respective plans/options of the Transferee Scheme at the NAV declared as at close of business hours on the Effective Date, as under:

Plan/Option in the Transferor Scheme (HGCOF)	Plan/Option under which Units will be allotted in the Transferee Scheme (HAPDYF)
Growth	Growth
Growth - Direct	Growth - Direct

- The redemption payment will be made within 10 Business Days of receipt of valid redemption request to those unitholders who choose to exercise their exit option. Unitholders who have pledged / marked lien on their units will have the option to exit only if they submit a release of their pledges / lien prior to submitting their redemption / switch requests during the exit option period. In case a lien is marked on units held by a unitholder or units have been frozen / locked pursuant to an order of a governmental authority or a court, redemption / switch-out can be executed only after the lien / order is vacated / revoked within the exit option period specified above.
- Unitholders who have registered for Systematic Investment Plan (SIP) / Systematic Withdrawal Plan (SWP) / Systematic Transfer Plan (STP) in the Transferor Scheme and / or Transferee Scheme and who do not wish to continue their future investments/installment in the respective schemes are required to provide a written request to the HSBC MF and it will take at least 21 calendar days to process such requests. Intervening installments will continue to be processed.
- Unitholders should ensure that change in address / pay-out bank details, if any required by them, are updated in HSBC MF’s records before exercising the exit option. Unitholders holding units in dematerialised form may approach their Depository Participant for such changes.

- In accordance with Notice – cum – Addendum dated February 14, 2020 on process for investment made in the name of a Minor through a Guardian, unitholders are requested to review the Bank Account registered in the folio and ensure that, at the time of exercising the exit option, the registered Bank Mandate is in the name of the minor or minor jointly with registered guardian in the folio. In case this requirement is not complied with, redemption payout shall be kept on hold till the time bank account details are updated as above.
- It is mandatory to update Know Your Customer (KYC)/ PAN in the folio for processing of transactions, hence unitholders are requested to ensure that PAN and other KYC details is updated in the folio at the time of exercising the exit option. In case this requirement is not complied with, redemption payout or switch-out transaction shall be kept on hold till the time PAN and other KYC are updated in the folio.

E. Steps to operationalise the merger

- On the Effective Date of the merger, the Transferor Scheme will cease to exist and the unitholders of the Transferor Scheme, as at the close of business hours, will be allotted units under the corresponding option of the Transferee Scheme at the last available applicable Net Asset Value (“NAV”). In case of any pledge / lien / other encumbrance marked on any units in the Transferor Scheme, the same shall be marked on the corresponding number of units allotted in the Transferee Scheme.
- A fresh account statement reflecting the new units of Transferee Scheme allotted will be sent to the unitholders of the Transferor Scheme. It may be noted that, all provisions under the Transferee Scheme will apply including exit load, if any will be applicable to the units allotted. The period of holding for the purpose of taxation / exit load will be computed from the date of allotment of such units in the Transferor Scheme.
- Subject to compliance with provisions under section IV. (e) & (f), unitholders of the Transferor Scheme who have registered for Systematic Investment Plan (SIP) / Systematic Withdrawal Plan (SWP) / Systematic Transfer Plan (STP) facility, the said registration will continue under corresponding Plan/Option of the Transferee Scheme from the Effective Date. The registered SIP/SWP/STP will be deemed to be registered in the Transferee Scheme from the Effective Date.

F. Tax implication

Under the provisions of the Income-Tax Act, 1961 (“Act”), implications of the proposed merger of HGCOF into HAPDYF, which are non-equity oriented mutual fund schemes are:

- After the amendment in the Finance Act, 2015, under section 47(xviii) of the Act, consolidation/ merger of two or more equity oriented mutual fund schemes or two or more non-equity oriented mutual fund schemes has been made tax neutral.
- Consequently, the allotment to unitholder of units in Transferee Scheme in exchange for cancellation of units held in Transferor Scheme is not treated as a taxable transfer.
- Also, the cost of acquisition and the period of holding of units held by the unitholders in the Transferor Scheme shall, respectively, be the cost of acquisition and the period of holding in the Transferee Scheme.
- Securities Transaction Tax (STT) on account of merger, if any, shall be borne by AMC.
- Stamp duty on account of merger, if applicable, shall be borne by AMC.
- In case of NRI investors, Tax Deducted at Source (TDS) shall be deducted in accordance with applicable tax laws for redemption / switch-out of units from Transferor Scheme during the exit period and the same would be required to be borne by such investors only.
- Please note that the aforesaid tax neutrality on consolidation/merger of mutual fund schemes is subject to the following:
 - Consolidation/merger should be in accordance with SEBI (Mutual Funds) Regulations, 1996.
 - Units are held as ‘Capital assets’. The amendment is silent where the units are held as ‘stock-in trade’.

In view of individual nature of tax consequences, Unit holders are advised to consult a professional tax advisor with respect to tax and other financial implications arising out of participation in the merger of the scheme.

G. Communication to unitholders of Transferor Scheme and Transferee Scheme

Communication will be sent to the all existing unitholders of the Transferor Scheme and Transferee Scheme informing about the details of aforesaid proposals including (i) Features of the HGCOF and HAPDYF (ii) Portfolio of HGCOF and HAPDYF as at March 31, 2021 (iii) Performance of the HGCOF and HAPDYF as at March 31, 2021 (iv) Percentage of total exposure to securities classified as below investment grade or default and percentage of total illiquid assets to net assets as at March 31, 2021 (v) Total expense ratio as at March 31, 2021 (vi) Details on unclaimed dividends and redemptions under HGCOF and HAPDYF (vii) Basis of allocation of Units in HAPDYF (viii) Total Asset Under Management (AUM) along with number of folios of HGCOF and HAPDYF as on March 31, 2021 (ix) NAV details of all the plans/options of HGCOF and HAPDYF as on March 31, 2021 and (x) details on introduction of provisions for creation of segregated portfolio and rewording of investment strategy section under HAPDYF. Unitholders who do not receive the said communication can contact any of the ISCs of HSBC Mutual Fund to obtain the same.

The unitholders of the Transferor Scheme are requested to read the detailed features of the Transferee Scheme (i.e. HSBC Asia Pacific (Ex Japan) Dividend Yield Fund) provided in the Scheme Information Document which is available on the website of the Fund.

For any queries or clarifications in this regard, please contact our Customer Service Number - 1800 200 2434 / 1800 258 2434 or write to us at hsbcmf@camsonline.com. Investors calling from abroad may call on +91 44 39923900 to connect to our customer care center. You may also visit any of the Investor Service centers (ISC) of the Fund, details of which are available on our website www.assetmanagement.hsbc.co.in

**For & on behalf of HSBC Asset Management (India) Private Limited
(Investment Manager to HSBC Mutual Fund)**

Sd/-
**Authorised Signatory
Mumbai, April 09, 2021**



Investors may obtain the Statement of Additional Information, Scheme Information Document and Key Information Memorandums along with application forms from the Investor Service Centres of HSBC Mutual Fund or call on the aforesaid telephone numbers.

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

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