



## Scheme Information Document

### HSBC Multi Asset Allocation Fund

(An open ended scheme investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs)

Offer of Units of Rs. 10/- each during the New Fund Offer Period and at NAV based prices upon re-opening.

New Fund Offer Opens On	New Fund Offer Closes On	Scheme re-opens for continuous sale and repurchase on
February 08, 2024	February 22, 2024	March 01, 2024

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, as amended till date, and filed with Securities and Exchange Board of India (SEBI), along with a Due Diligence Certificate from the AMC. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.

The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers. Investors in the Scheme are not being offered any guaranteed / assured returns. Investors are advised to consult their Legal / Tax and other Professional Advisors in regard to tax / legal implications relating to their investments in the Scheme before making decision to invest in or redeem the Units.






The investors are advised to refer to the Statement of Additional Information (SAI) for details of HSBC Mutual Fund, Tax and Legal issues and general information on [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in).

SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in).

The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated January 11, 2024.

**Product Labeling:** To provide investors an easy understanding of the kind of product / scheme they are investing in and its suitability to them, the product labeling is as under:

Scheme Name		Scheme Risk-o-meter
<b>HSBC Multi Asset Allocation Fund</b> (An open ended scheme investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs.) This product is suitable for investors who are seeking*:		 <p>Investors understand that their principal will be at Very High risk</p>
<b>Benchmark Risk-o-meter</b>		
<b>S&amp;P BSE 200 TRI</b> 	<b>NIFTY Short Duration Debt Index</b> 	<b>Domestic price of gold</b> 
<b>Domestic price of silver</b> 	<b>Benchmark Index:</b> S&P BSE 200 TRI (65%) + NIFTY Short Duration Debt Index (20%) + Domestic Price of Gold (10%) + Domestic Price of Silver (5%)	

\* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

<b>Mutual Fund:</b> HSBC Mutual Fund 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (E), Mumbai – 400 063, India	<b>Sponsor:</b> HSBC Securities and Capital Markets (India) Private Limited CIN – U67120MH1994PTC081575 Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai 400 001, India.	<b>Trustee:</b> Board of Trustees 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (E), Mumbai – 400 063, India	<b>Asset Management Company:</b> HSBC Asset Management (India) Private Limited CIN – U74140MH2001PTC134220 Regd. & Corp. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai – 400 063, India
--	---	---	---

## TABLE OF CONTENTS

	Page No.
<b>HIGHLIGHTS/SUMMARY OF THE SCHEME .....</b>	<b>1</b>
<b>I. INTRODUCTION</b>	<b>3</b>
A. RISK FACTORS .....	3
B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME .....	10
C. SPECIAL CONSIDERATIONS, IF ANY .....	10
D. DEFINITIONS AND ABBREVIATIONS .....	13
E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY .....	17
<b>II. INFORMATION ABOUT THE SCHEME</b>	<b>18</b>
A. TYPE OF THE SCHEME .....	18
B. INVESTMENT OBJECTIVE OF THE SCHEME .....	18
C. HOW WILL THE SCHEME ALLOCATE ITS ASSETS? .....	18
D. WHERE WILL THE SCHEME INVEST? .....	19
E. WHAT ARE THE INVESTMENT STRATEGIES? .....	25
F. COMPARISON WITH OTHER EQUITY SCHEMES OF HSBC MUTUAL FUND .....	29
G. FUNDAMENTAL ATTRIBUTES .....	34
H. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE? .....	34
I. WHO MANAGES THE SCHEME? .....	34
J. WHAT ARE THE INVESTMENT RESTRICTIONS .....	36
K. HOW HAS THE SCHEME PERFORMED .....	40
L. SCHEME PORTFOLIO HOLDINGS .....	40
M. INVESTMENT BY BOARD OF DIRECTORS, FUND MANAGERS AND KEY PERSONNELS	40
<b>III. UNITS AND OFFER</b>	<b>41</b>
A. NEW FUND OFFER (NFO) DETAILS .....	41
B. ONGOING OFFER DETAILS .....	52
C. PERIODIC DISCLOSURES .....	60
D. COMPUTATION OF NAV .....	62
<b>IV. FEES AND EXPENSES</b>	<b>63</b>
A. NEW FUND OFFER (NFO) EXPENSES .....	63
B. ANNUAL SCHEME RECURRING EXPENSES .....	63
C. LOAD STRUCTURE .....	65
D. WAIVER OF LOAD FOR DIRECT APPLICATIONS .....	66
E. DEDUCTION OF TRANSACTION CHARGE FOR INVESTMENTS THROUGH DISTRIBUTORS / AGENTS .....	66
<b>V. RIGHTS OF THE UNITHOLDERS</b>	<b>67</b>
<b>VI. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY</b>	<b>67</b>

## HIGHLIGHTS / SUMMARY OF THE SCHEME

<b>Name of the Scheme</b>	<b>HSBC Multi Asset Allocation Fund</b>																
<b>Type of Scheme</b>	An open ended scheme investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs.																
<b>NSDL Scheme Code</b>	HSBC/O/H/MAA/24/01/0037																
<b>Investment Objective</b>	The aim of the fund is to generate long-term capital growth and generate income by investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.																
<b>Liquidity</b>	<p>Being an open ended Scheme, Units may be purchased or redeemed on every Business Day at NAV based prices, subject to provisions of exit load, if any. As per para 14.1 of SEBI Master Circular on Mutual Funds dated May 19, 2023 or as amended from time to time, the Fund shall transfer the redemption / repurchase proceeds within 3 working days, from the date of acceptance of redemption request.</p> <p>Further, as per AMFI circular no. AMFI/35P/MEM-COR/74/2022-23 dated January 16, 2023, in case of exceptional situations the AMC might follow the additional time lines for making redemption payments.</p> <p>It may be noted that units under Segregated Portfolio, if any, cannot be redeemed or purchased. However, the unit of Segregated Portfolio will be listed on the recognized Stock Exchange.</p>																
<b>Tier 1 Benchmark Index</b>	S&P BSE 200 TRI (65%) + NIFTY Short Duration Debt Index (20%) + Domestic Price of Gold (10%) + Domestic Price of Silver (5%)																
<b>Transparency / NAV Disclosure</b>	<p>NAV of the Scheme / Option(s) shall be made available at all Investor Service Centers of the AMC. The AMC shall update the NAVs under a separate head on the website of the Fund <a href="http://www.assetmanagement.hsbc.co.in">www.assetmanagement.hsbc.co.in</a> and of the Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 11:00 p.m. on every Business Day. In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of Business Hours on the following day due to any reason, the Fund shall issue a press release giving reasons and explaining when the Fund would be able to publish the NAVs. Further, AMC has extended the facility of sending latest available NAVs to unit holders through SMS, upon receiving a specific request for the same. For detailed process of receiving the latest NAV through SMS, please visit <a href="http://www.assetmanagement.hsbc.co.in">http://www.assetmanagement.hsbc.co.in</a></p> <p>NAV of the Segregated Portfolio, if any, shall be declared on daily basis.</p>																
<b>Face Value (New Fund Offer)</b>	Rs. 10/- per unit																
<b>Loads (including SIP / STP where applicable)</b>	<p><b>Entry Load*</b> : Not applicable*</p> <p><b>Exit Load:</b></p> <ul style="list-style-type: none"> <li>• If units redeemed or switched out are upto 10% of the units purchased or switched in within 1 year from the date of allotment – Nil</li> <li>• If units redeemed or switched out are over and above the limit within 1 year from the date of allotment – 1%</li> <li>• If units are redeemed or switched out on or after 1 year from the date of allotment – Nil</li> </ul> <p>The exit loads set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively.</p> <p>* In terms of para 10.4.1.a. of SEBI Master Circular on Mutual Funds dated May 19, 2023, no entry load will be charged to the investor.</p> <p>No exit load (if any) will be charged for units allotted under bonus / Reinvestment of IDCW option. No Exit load will be charged in case of switches made between different options of the scheme.</p>																
<b>Minimum Application Amount (Lumpsum)</b>	<p>Rs. 5,000 per application &amp; in multiples of Re. 1/- thereafter. Minimum application amount is applicable for switch-ins as well.</p> <p>As per para 6.10 of SEBI Master Circular on Mutual Funds dated May 19, 2023, (Alignment of interest of Designated Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes) has, inter alia mandated that upto 20% of gross annual CTC net of income tax and any statutory contributions of the Designated Employees of the AMCs shall be invested in units of the scheme(s) of the Fund in which they have a role/oversight.</p> <p>In accordance with the regulatory requirement, the minimum application amount and minimum redemption amount wherever specified in the SID of the Fund will not be applicable for investment made in schemes of the Fund in compliance with the aforesaid circular(s).</p>																
<b>Minimum Additional investment</b>	Rs. 1,000 per application & in multiples of Re. 1/- thereafter																
<b>Minimum Application Amount (SIP)</b>	<table border="1"> <thead> <tr> <th>Frequency</th> <th>Minimum Amount</th> <th>Minimum installments</th> <th>Dates</th> </tr> </thead> <tbody> <tr> <td>Weekly</td> <td>Rs. 500 and in multiples of Re. 1/- thereafter</td> <td>12 installments</td> <td rowspan="3">Any Date of the month</td> </tr> <tr> <td>Monthly</td> <td>Rs. 500 and in multiples of Re. 1/- thereafter</td> <td>–</td> </tr> <tr> <td>Quarterly</td> <td>Rs. 1,500 and in multiples of Re. 1/- thereafter</td> <td>4 installments</td> </tr> </tbody> </table>	Frequency	Minimum Amount	Minimum installments	Dates	Weekly	Rs. 500 and in multiples of Re. 1/- thereafter	12 installments	Any Date of the month	Monthly	Rs. 500 and in multiples of Re. 1/- thereafter	–	Quarterly	Rs. 1,500 and in multiples of Re. 1/- thereafter	4 installments	<p>Minimum aggregate investment - Rs. 6,000/- and in multiples of Re. 1/- thereafter.</p>	
Frequency	Minimum Amount	Minimum installments	Dates														
Weekly	Rs. 500 and in multiples of Re. 1/- thereafter	12 installments	Any Date of the month														
Monthly	Rs. 500 and in multiples of Re. 1/- thereafter	–															
Quarterly	Rs. 1,500 and in multiples of Re. 1/- thereafter	4 installments															
<b>Minimum Redemption Amount</b>	Rs. 500 in multiples of Re.1 or 50 Units in multiples of 0.01 units thereafter.																

<b>Plan / Options</b>	<p><b>Options:</b></p> <ul style="list-style-type: none"> <li>• Growth – Regular Plan</li> <li>• Growth – Direct Plan</li> <li>• Income Distribution cum Capital Withdrawal Option (IDCW) – Regular Plan</li> <li>• Income Distribution cum Capital Withdrawal Option (IDCW) – Direct Plan</li> </ul> <p>The Growth Option shall be default Option under the Plans of the Scheme.</p> <p>A Direct Plan (with the above Options) is also available for investors who subscribe to Units directly with the Fund. Plans and Options thereunder will have a common portfolio..</p> <p>Investors may please note that the Direct Plan under the Scheme is meant for investors who understand the capital market, mutual funds and the risks associated therewith. The risks associated with the investments in the schemes of mutual funds may vary depending upon the investment objective, asset allocation and investment strategy of the Schemes and the investments may not be suited for all categories of investors. The AMC believes that investors investing under the Direct Plan of the Scheme are aware of the investment objective, asset allocation, investment strategy, risks associated therewith and other features of the Scheme and has taken an informed investment decision. Please note that SID, SAI, Key Information Memorandum or any other advertisements and its contents are for information only and do not constitute any investment advice or solicitation or offer for sale of units of the Scheme from the AMC.</p>
<b>Sub Options under IDCW</b>	<p>Payout of IDCW and Reinvestment of IDCW</p> <p>Declaration of dividend and its frequency will inter alia depend upon the distributable surplus. Dividend may be declared from time to time at the discretion of the Trustees.</p>
<b>Dividend Declaration</b>	<p>As may be decided by the Trustees</p> <p>Declaration of dividend and its frequency will inter alia depend upon the distributable surplus.</p> <p>Investors may please note that amounts distributed under the Income Distribution cum Capital Withdrawal options, can be made out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains.</p>

### A. RISK FACTORS

#### Standard Risk Factors:

- Mutual funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved.
- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- As the price / value / yield of the securities in which the Scheme invests fluctuates, the value of your investment in the Schemes may go up or down depending on the various factors and forces affecting the capital markets and money markets.
- Past performance of the Sponsor / AMC / Mutual Fund does not guarantee future performance of the Schemes.
- HSBC Multi Asset Allocation Fund is the name of the Scheme and do not in any manner indicate either the quality of the Scheme or their future prospects and returns.
- The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond the initial contribution of Rs. 1,00,000/- (Rupees One Lakh only) made by it towards setting up the Fund. The associates of the Sponsor are not responsible or liable for any loss or shortfall resulting from the operation of the Scheme.
- The present Scheme is not a guaranteed or assured return Scheme.
- Mutual funds being vehicles of securities investments are subject to market and other risks and there can be no guarantee against loss resulting from investing in the Scheme. The various factors which impact the value of the Schemes' investments include, but are not limited to, fluctuations in the bond markets, fluctuations in interest rates, prevailing political and economic environment, changes in government policy, factors specific to the issuer of the securities, tax laws, liquidity of the underlying instruments, settlement periods, trading volumes etc.
- Investment decisions made by the AMC shall be in the best interest of investors but may not always be profitable.

#### Scheme Specific Risk Factors

- Scheme's performance may differ from the benchmark index to the extent of the investments held in various assets permitted as per the investment pattern indicated under normal circumstances. Since this is a multi-asset allocation fund, the scheme benchmark is a synthetic index combining various asset classes with static weights. The actual portfolio exposure to asset classes may differ from the benchmark weights depending on the market outlook leading to outcomes different from benchmark returns.

#### Risk factors associated with investing in Equity or Equity related Securities:

- Subject to the stated investment objective of the Scheme, the Scheme propose to invest in equity and equity related securities. Equity instruments by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.
- Trading volumes, settlement periods and transfer procedures may restrict the liquidity of these investments. Different segments of financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Scheme to make intended securities' purchases due to settlement problems could cause the Scheme to miss certain investment opportunities.

- Investments in equity and equity related securities involve a degree of risks and investors should not invest in the Scheme unless they can afford to take the risk of losing their investment.
- The liquidity and valuation of the Scheme's investments due to its holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.
- Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities that are listed on the exchanges or offer other exit options to the investors, including put options.
- As the portfolio may invest in stocks of different countries, the portfolio shall be exposed to the political, economic and social risks with respect to each country. However, the investment manager may limit exposure to each country so that the portfolio is not exposed to one country. Investments in various economies will also diversify and reduce this risk.
- In the event fund invests in stocks of different countries, the fund may be exposed to settlement risk, as different countries have different settlement periods.
- The Scheme may also use various derivative products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance Unitholders' interest.
- In the event that the investible funds of more than 65% of the total proceeds of the Scheme are not invested in equity shares of domestic companies, the tax provisions as applicable for equity schemes may not be available. This is however subject to Income Tax laws of India.

#### Risk factor associated with legal, tax and regulatory risk

The Schemes could be exposed to changes in legal, tax and regulatory regime which may adversely affect it and / or the investors. Such changes could also have retrospective effect and could lead to additional taxation imposed on the Schemes which was not contemplated either when investments were made, valued or disposed off.

#### Risk factors associated with investing in Fixed Income Securities

Subject to the stated investment objective, the Scheme proposes to invest in debt and related instruments and the risk factors pertinent to the same are :

- The performance of Scheme may be affected by changes in Government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems.
- Investments in different types of securities are subject to different levels and kinds of risk. Accordingly, the Scheme's risk may increase or decrease depending upon its investment pattern. E.g. investments in corporate bonds carry a higher level of risk than investments in Government securities. Further, even among corporate bonds, bonds which have a higher rating are comparatively less risky than bonds which have a lower rating.
- *Price-Risk or Interest Rate Risk:* As with all debt securities, changes in interest rates may affect the NAV of the Scheme as the prices of securities increase as interest rates decline and decrease as interest rates rise. Prices of long-term securities generally fluctuate more in response to interest rate changes than do short-term securities. Indian debt markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV.

- The change in value of a security, for a given change in yield, is higher for a security with higher duration and vice versa. Hence portfolios with higher duration will have higher volatility which leads to duration risk.
- Government securities do carry price risk depending upon the general level of interest rates prevailing from time to time. The extent of fall or rise in the prices is a function of the coupon rate, days to maturity and the increase or decrease in the level of interest rates. The price of the Government securities (existing and new) is influenced only by movements in interest rates in financial systems.
- In the case of floating rate instruments, an additional risk could be due to the change in the spreads of floating rate instruments. If the spreads on floating rate papers rise, then there could be a price loss on these instruments. Secondly in the case of fixed rate instruments that have been swapped for floating rates, any adverse movement in the fixed rate yields vis-à-vis swap rates could result in losses. However, floating rate debt instruments which have periodical interest rate reset, carry a lower interest rate risk as compared to fixed rate debt instruments. In a falling interest rate scenario the returns on floating rate debt instruments may not be better than those on fixed rate debt instruments.
- *Liquidity Risk:* This refers to the ease with which a security can be sold at or near to its valuation yield-to-maturity (YTM). The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is today characteristic of the Indian fixed income market.

This represents the possibility that the realised price from selling the security might be lesser than the valuation price as a result of illiquid market. If a large outflow from the Scheme is funded by selling some of the illiquid securities, the NAV could fall even if there is no change in interest rates. Illiquid securities are typically quoted at a higher yield than the liquid securities and have higher bid offer spreads. Investment in illiquid securities results in higher current yield for the portfolio.. In addition, money market securities, while fairly liquid, lack a well- developed secondary market, which may restrict the selling ability of the Scheme and may lead to the Scheme incurring losses till the security is finally sold.

The corporate debt market is relatively illiquid vis-a-vis the government securities market. Even though the government securities market is more liquid compared to that of other debt instruments, on occasions, there could be difficulties in transacting in the market due to extreme volatility or unusual constriction in market volumes or on occasions when an unusually large transaction has to be put through.

- *Spread risk:* Though the sovereign yield curve might remain constant, investments in corporate bonds are exposed to the risk of spread widening between corporate bonds and gilts. Typically, if this spread widens, the prices of the corporate bonds tend to fall and so could the NAV of the Schemes. Similar risk prevails for the investments in the floating rate bonds, where the benchmark might remain unchanged, but the spread over the benchmark might vary. In such an event, if the spread widens, the price and the NAV of the Schemes could fall.
- *Credit Risk:* Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e. will be unable to make timely principal and interest payments on the security). A sovereign security carries no default risk since Government raises money to meet its capital and revenue expenditure by issuing these debt or discounted securities. As the payment of interest and principal amount has a sovereign status implying no default, such securities are popularly known as “riskfree security” or “Zero Risk security”. Thus Zero-Risk is the lowest risk, even lower than a security with “AAA” rating and hence commands a yield, which is lower than a yield on “AAA” security. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of

credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk. Because of this risk, corporate debentures are sold at a yield above those offered on Government Securities, which are sovereign obligations.

- *Reinvestment Risk:* This risk refers to the interest rate levels at which cash flows received from the securities in the Scheme are reinvested. The additional income from reinvestment is the “interest on interest” component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed. However declining interest rates normally lead to increase in bond prices which may help cushion the impact of reinvestment risk to some extent.
- *Benchmark Risk:* The floating rate segment of the domestic debt market is not very developed. Currently, majority of the issuance of floating rate papers is linked to NSE MIBOR. As the floating rate segment develops further, more benchmark rates for floating papers may be available in future. The fewer number of benchmark rates could result in limited diversification of the benchmark risk.
- *Prepayment Risk:* The risk associated with the early unscheduled return of principal on a fixed-income security. The early unscheduled return of principal may result in reinvestment risk.
- *Settlement risk:* Different segments of Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the assets of the Scheme are uninvested and no return is earned thereon. The inability of the Scheme to make intended securities purchases, due to settlement problems, could cause the Scheme, to miss certain investment opportunities. Similarly, the inability to sell securities held in the Scheme’s portfolio, due to the absence of a well-developed and liquid secondary market for debt securities, may result at times in potential losses to the Scheme in the event of a subsequent decline in the value of securities held in the portfolio of the Scheme.
- *Market risk:* Lower rated or unrated securities are more likely to react to developments affecting the market and the credit risk than the highly rated securities which react primarily to movements in the general level of interest rates. Lower rated or unrated securities also tend to be more sensitive to economic conditions than higher rated securities.
- In addition to the factors that affect the values of securities, the NAV of Units of the Scheme will fluctuate with the movement in the broader fixed income market, money market and derivatives market and may be influenced by factors influencing such markets in general including but not limited to economic conditions, changes in interest rates, price and volume volatility in the bond and stock markets, changes in taxation, currency exchange rates, foreign investments, political, economic or other developments and closure of the stock exchanges.

### **Risks associated with investing in Foreign Securities**

- *Foreign Securities:* Subject to necessary approvals and within the investment objectives of the Scheme, the Scheme may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances. It is the AMC’s belief that investment in foreign securities offers new investment and portfolio diversification opportunities into multi-market and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by the AMC provided they are considered appropriate in terms of the overall investment objectives of the Scheme. Since the Scheme would invest only partially in foreign securities, there

may not be readily available and widely accepted benchmarks to measure performance of the Scheme. To manage risks associated with foreign currency and interest rate exposure, the Fund may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated by SEBI / RBI from time to time.

- Offshore investments will be made subject to any / all approvals, conditions thereof as may be stipulated by SEBI / RBI. The Fund may, where necessary, appoint other intermediaries of repute as advisors, custodian / sub-custodians etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceiling of expenses. The fees and expenses would illustratively include, besides the investment management fees, custody fees and costs, fees of appointed advisors and sub-managers, transaction costs and overseas regulatory costs.
- To the extent that the assets of the Scheme will be invested in foreign securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.
- Investments in Foreign Securities are subject to a maximum of US \$ 1 billion per Mutual Fund, within the overall industry limit of US\$ 7 billion. Further, investments in overseas Exchange Traded Fund (ETF(s)) subject to a maximum of US \$ 300 million per Mutual Fund, within the overall industry limit of US \$ 1 billion and any subsequent amendments thereto specified in clause 12.19 of SEBI Master Circular on Mutual Funds dated May 19, 2023 and/ or RBI from time to time. Further, the said limits shall be valid for a period of six months from the date of closure of NFO. Post completion of the six months, the relevant provisions for on-going schemes shall be applicable
- Foreign Currency Risk - The Scheme is denominated in Indian Rupees (INR) which is different from the home currency for Foreign Investors in the mutual fund Units. The INR value of investments when translated into home currency by Foreign Investors could be lower because of the currency movements. The AMC does not manage currency risk for foreign investors and it is the sole responsibility of the Foreign Investors to manage or reduce currency risk on their own. The Sponsor/Fund/ Trustees/AMC are not liable for any loss to Foreign Investors arising from such changes in exchange rates.

#### **Risk Factors associated with investments in Money Market instruments.**

- Investments in money market instruments would involve a moderate credit risk i.e. risk of an issuer's liability to meet the principal payments. Additionally, money market securities, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of the Scheme and may lead to the Scheme incurring losses till the security is finally sold.
- Money market instruments may also be subject to price volatility due to factors such as changes in interest rates (when interest rates in the market rise, the value of a portfolio of money market instruments can be expected to decline), general level of market liquidity and market perception of credit worthiness of the issuer of such instruments and risks associated with settlement of transactions and reinvestment of intermediate cash flows. The NAV of the Scheme's Units, to the extent that the Scheme is invested in money market instruments, will consequently be affected by the aforesaid factors. The AMC endeavours to manage such risk by the use of in house credit analysis.
- The NAV of the Scheme's Units, to the extent that the corpus of the Scheme is invested in money market instruments, will

be affected by the changes in the level of interest rates. When interest rates in the market rise, the value of a portfolio of money market instruments can be expected to decline

#### **Risks associated with investing in derivatives**

- The Scheme may invest in derivative products (included but not limited to Interest Rate Futures, Interest Rate Swaps etc.) in accordance with and to the extent permitted under the Regulations and by SEBI. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but of the derivative itself. Trading in derivatives carries a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have an impact on their value and consequently, on the NAV of the Units of the Scheme.
- Investment in derivatives also requires the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. Even a small price movement in the underlying security could have an impact on their value and consequently, on the NAV of the Units of the Scheme.
- The Scheme may face execution risk, whereby the rates seen on the screen may not be the rate at which the ultimate execution of the derivative transaction takes place.
- The Scheme may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limit or circuit breakers, the Scheme may face a liquidity issue.
- The options buyer's risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the gains of an options writer are limited to the premiums earned. Since in case of the Scheme all option positions will have underlying assets, all losses due to price – movement beyond the strike price will actually be an opportunity loss.
- The exchange may impose restrictions on exercise of options and may also restrict the exercise of options at certain times in specified circumstances and this could impact the value of the portfolio.
- Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.
- The Scheme bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme.
- The risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and the potential high volatility of the futures markets.
- There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counterparty") to comply with the terms of the derivatives contract.
- Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor.
- Execution of investment strategies depends upon the ability of the fund manager(s) to identify such opportunities which

may not be available at all times. Identification and execution of the strategies to be pursued by the fund manager(s) involve uncertainty and decision of fund manager(s) may not always be profitable. No assurance can be given that the fund manager(s) will be able to identify or execute such strategies.

- The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments.

### Risks associated with investing in securitised debt

- **Securitized Debt:** Securitized debt papers carry credit risk of the Obligor and are dependent on the servicing of the PTC / Contributions etc. However, these are offset suitably by appropriate pool selection as well as credit enhancements specified by Rating Agencies. In cases where the underlying facilities are linked to benchmark rates, the securitized debt papers may be adversely impacted by adverse movements in benchmark rates. However, this risk is mitigated to an extent by appropriate credit enhancement specified by rating agencies. Securitized debt papers also carry the risks of prepayment by the obligors. In case of prepayments of securities debt papers, it may result in reduced actual duration as compared to the expected duration of the paper at the time of purchase, which may adversely impact the portfolio yield. These papers also carry risk associated with the collection agent who is responsible for collection of receivables and depositing them. The Investment team evaluates the risks associated with such investments before making an investment decision.
- The underlying assets in the case of investment in securitized debt could be mortgages or other assets like credit card receivables, automobile / vehicle / personal / commercial / corporate loans and any other receivables / loans / debt.
- The underlying assets in securitized debt may assume different forms and the general types of receivables include auto finance, credit cards, home loans or any such receipts. Credit risks relating to such receivables depend upon various factors, including macro-economic factors of these industries and economies. Further, specific factors like the nature and adequacy of property mortgaged against these borrowings, the nature of loan agreement/mortgage deed in case of home loans, adequacy of documentation in case of auto finance and home loans, capacity of a borrower to meet his obligations on borrowings in case of credit cards and intentions of the borrower also influence the risks relating to asset borrowings underlying securitized debt. Additionally, the nature of the asset borrowings underlying the securitized debt also influences the underlying risk, for instance while residential mortgages tend to have lower default rates, repossession and recovery is easier in case of commercial vehicles. Credit rating agencies take into account a series of such factors and follow an elaborate system involving stipulation of margins, over-collateralisation and guarantees to provide a rating for securitized debt.
- In case of securitized debt, changes in market interest rates and pre-payments may not change the absolute amount of receivables for the investors but may have an impact on the reinvestment of the periodic cash flows that an investor receives on securitized papers.
- Credit card receivables are unsecured. Automobile / vehicle loan receivables are usually secured by the underlying automobile / vehicle and sometimes by a guarantor. Mortgages are secured by the underlying property. Personal loans are usually unsecured. Corporate loans could be unsecured or secured by a charge on fixed assets / receivables of the company or a letter of comfort from the parent company or a guarantee from a bank / financial institution. As a rule of thumb, underlying assets which are secured by a physical asset / guarantor are perceived to be less risky than those which are unsecured. By virtue of this, the risk and therefore the yield in descending order of magnitude would

be credit card receivables, personal loans, vehicle / automobile loans, mortgages and corporate loans assuming the same rating.

- **Tenor risk:** While building the planned amortization schedule for a PTC, there can be a clause stating a minimum percentage of receivable by the issue to stick to the initial cash flows. If the receivables are less than the minimum stated receivables then the tenor of the PTC can get elongated or vice versa.
- **Risk due to prepayment:** Asset securitization is a process whereby commercial or consumer credits are packaged and sold in the form of financial instruments. In the event of pre-payment of the underlying debt, investors may be exposed to changes in tenor and yield.
- **Liquidity Risk:** Presently, despite recent legal developments permitting the listing of securitized debt instruments, the secondary market for securitized debt in India is not very liquid. Even if a more liquid market develops in the future, secondary transactions in such instruments may be at a discount to initial issue price due to changes in the interest rate structure.
- **Limited Recourse, Delinquency and Credit Risk:** Certificates issued on investment in securitized debt represent a beneficial interest in the underlying receivables and there is no obligation on the issuer, seller or the originator in that regard. Defaults on the underlying loan/ decline in project SPV's receivables can adversely affect the pay outs to the investors and thereby, adversely affect the NAV of the Scheme. While it is possible to repossess and sell the underlying asset, various factors can delay or prevent repossession and the price obtained on sale of such assets may be low. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Payouts may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of a Obligor to repay his obligation, the Servicer may repossess and sell the underlying Asset. However, many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such Asset may be sold may be lower than the amount due from that Obligor.
- **Bankruptcy Risk:** If the originator of securitized debt instruments in which the Scheme invest is subject to bankruptcy proceedings and the court in such proceedings concludes that the sale of the assets from originator to the trust was not a 'true sale', then the Scheme could experience losses or delays in the payments due. Normally, care is taken in structuring the securitization transaction so as to minimize the risk of the sale to the trust not being construed as a 'true sale'.
- **Risk of Co-mingling:** Servicers in a securitization transaction normally deposit all payments received from the obligors into a collection account. However, there could be a time gap between collection by a servicer and depositing the same into the collection account. In this interim period, collections from the loan agreements by the servicer may not be segregated from other funds of the servicer. If the servicer fails to remit such funds due to investors, investors in the Scheme may be exposed to a potential loss.

### Risk associated with short selling and securities lending by scheme

**Short Selling Risk:** The risk associated with upward movement in market price of security sold short may result in loss. The losses on short position may be unlimited as there is no upper limit on rise in price of a security.

**Securities Lending:** The risks in lending portfolio securities, as with other extensions of credit, consist of the failure of another party, in this case the approved intermediary, to comply with the terms of agreement entered into between the lender of securities i.e. the Scheme and the approved intermediary. Such failure to comply can result in the possible loss of rights in the collateral put up by the



borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary. The Mutual Fund may not be able to sell such lent securities and this can lead to temporary illiquidity.

### **Risk associated with investing in Fixed Income instruments with Structured Obligations/Credit Enhancements**

Structured Obligations (“SO”) are complex financial instruments issued by entities intending to improve their financing profile with the help of non-conventional financial instruments. Credit Enhancement (“CE”) rating is assigned by Credit Rating agencies to a debt security based on an identifiable credit enhancement for the security which could be in the form of letter of comfort, guarantee, shortfall undertaking etc. from another entity than the issuer, related or not related to the issuer. CE could additionally include pledging of equity shares listed on a stock exchange with a suitable haircut. Apart from standard risks related to debt instruments, these instruments are further exposed to the below risks:

**Liquidity Risk:** SO rated securities are often complex structures, with a variety of credit enhancements. Debt securities generally lack a well-developed secondary market in India, and due to the credit enhanced nature of CE securities as well as structured nature of SO securities, the liquidity in the market for these instruments is shallow compared to similar rated conventional debt instruments. Hence, lower liquidity of such instruments, could lead to inability of the scheme to exit such debt instruments when required and generate liquidity for the scheme or lead to higher impact cost when such instruments are sold impacting portfolio returns.

**Credit Risk:** Securities which have a structure with a guarantee from the corporate / promoter, may see an adverse effect if there are any signs of stress at the promoter / group level, even though the standalone borrowing entity’s debt servicing capability and repayments may not see any material impact, from a future cash flow perspective. CEs are exposed to credit risk pertaining not only to the issuer of the security but also to the entity providing the credit enhancement. The credit risk of debt instruments which are CE rated is based on the combined strength of the issuer as well as the structure. Hence, any weakness in either the issuer or the structure could have an adverse credit impact on the debt instrument. The weakness in structure could arise due to inability of the investors to enforce the structure due to issues such as legal risk, inability to sell the underlying collateral or enforce guarantee, etc. Therefore, apart from issuer level credit risk, such debt instruments are also susceptible to structure related credit risk.

### **Risks associated with investments in Repo transactions in Corporate Bonds**

In repo transactions, also known as a repo or sale repurchase agreement, securities are sold with the seller agreeing to buy them back at later date. The repurchase price should be greater than the original sale price, the difference effectively representing interest. A repo is economically similar to a secured loan, with the buyer receiving corporate debt securities as collateral to protect against default. The Scheme may invest in repo of corporate debt securities which are subject to the following risks:

- a. **Counterparty Risk:** This refers to the inability of the seller to meet the obligation to buy back securities at the contracted price on the contracted date. The Investment Manager will endeavour to manage counterparty risk by dealing only with counterparties, having strong credit profiles, approved by our credit risk analysis team. The exposure to each counterparty will be within the overall approved credit limits. Also, the counterparty risk is to an extent mitigated by taking collateral equivalent in value to the transaction after knocking off a minimum haircut on the intrinsic value of the collateral. In the event of default by the repo

counterparty, the scheme shall have recourse to the corporate debt securities.

- b. **Collateral Risk:** Collateral risk arises when the market value of the securities is inadequate to meet the repo obligations. This risk is mitigated by restricting participation in repo transactions with collateral bearing a minimum rating as prescribed by the regulators (currently AA or equivalent and above rated money market and corporate debt securities). Any rating downgrade will tantamount to either an early termination of the repo agreement or a call for fresh margin to meet the minimum haircut requirement. In addition, the Investment manager may apply a higher haircut on the underlying security than mentioned above to adjust for the illiquidity and interest rate risk on the underlying instrument. The adequacy of the collateral will be monitored on a daily basis by considering the daily market value & applying the prescribed haircut. In the event of shortfall in the collateral, the counterparty shall be asked to replenish the same. If the counterparty is not able to top-up either in form of cash / collateral, it shall tantamount to early termination of the repo agreement.
- c. **Settlement Risk:** Corporate Bond Repo shall be settled between two counterparties in the OTC segment unlike in the case of Government securities repo transactions where CCIL stands as central counterparty on all transactions which neutralizes the settlement risk. However, the settlement risk pertaining to CDRs shall be mitigated through Delivery versus Payment (DvP) mechanism which is followed by all clearing members.

### **Risk factors associated with investments in Perpetual Debt Instruments (PDI) including Additional Tier-1 and Tier-2 Bonds**

The scheme may invest in certain debt instruments with special features viz. subordination to equity (absorbs losses before equity capital) and / or convertible to equity upon trigger of a pre-specified event for loss absorption including Additional Tier I bonds and Tier 2 bonds issued under Basel III framework (known as perpetual debt instruments). PDIs are instruments issued by the borrower to strengthen their capital structure and as the name suggests these instruments do not have a specific maturity date but have an embedded call option instead and maybe less liquid than conventional debt instruments. These bonds are subordinate to all other debt and only senior to equity capital. The issuer may call or redeem the bonds on the call exercise date if they can refinance the issue at a cheaper rate, especially when interest rates are declining. The issuers of such instruments could be Banks, NBFCs and Corporates. PDIs issued by Banks and NBFCs fall under scope of Reserve Bank of India (“RBI”)’s guidelines for Basel III capital regulations. These are also referred to as Additional Tier I (AT1 bonds). However, there are no regulatory guidelines for issuance of PDIs by Corporates.

Since PDIs have special features other than usual non-convertible bonds, there are additional risks associated with such instruments which are listed below –

#### **Risk related to coupon servicing –**

**Banks -** As per the terms of the instruments, Banks may have discretion at all times to cancel distributions/payment of coupons. In the event of non-availability of adequate distributable reserves and surpluses or inadequacy in terms of capital requirements, RBI may not allow banks to make payment of coupons. These bonds may not be permitted to pay these coupons if the Bank’s financial position improves subsequently (non-cumulative).

**NBFCs -** While NBFCs can defer/postpone payment of coupon in case paying the coupon leads to breach of capital ratios, they also have discretion at all times to cancel payment of coupon.

**Corporates -** Corporates usually have discretion to defer the payment of coupon. However, the coupon is usually cumulative and any deferred coupon shall accrue interest at the original coupon rate of the PDI.

### **Risk of write down or conversion to equity –**

In the event of shortfall in maintenance of capital adequacy ratios and/ or Point of Non Viability Trigger (PONV – a point defined by RBI when a bank is deemed to have become non-viable unless appropriate measures are taken to revive its operations or infusion of public sector capital), PDIs issued by Banks could be written down or converted to common equity. This risk does not exist in case of PDIs issued by NBFCs and Corporates.

### **Risk of call option not exercised by the issuer –**

**Banks and NBFCs –** The issuing Banks and NBFCs have an option to call back the instrument after minimum period as per the regulatory requirement from the date of issuance and specified period thereafter, subject to meeting the RBI guidelines. However, if the issuer does not exercise the call on first call date, the Scheme may have to hold the instruments for a period beyond the first call exercise date and hence may be exposed to valuation impacts.

**Corporates –** Unlike Banks and NBFCs there is no minimum period for call date for Corporate issuers. However, if the corporate does not exercise the call option, the Scheme may have to hold the instruments for a period beyond the call exercise date and hence may be exposed to valuation impacts.

**Risk Mitigation –** The Scheme will not invest more than 10% of the NAV of the scheme in such instruments and will limit exposure to 5% of the NAV of the Scheme for such instruments issued by a single issuer.

### **Risks factors associated with investments in REITs & InvITs**

**Market Risk:** REITs and InvITs Investments are volatile and subject to price fluctuations on a daily basis owing to the market conditions and factors impacting the underlying assets. AMC/Fund Manager's will do the necessary due diligence but actual market movements may be at variance with the anticipated trends.

**Liquidity Risk:** As the liquidity of the investments made by the Scheme(s) could, at times, be restricted by trading volumes, settlement periods, dissolution of the trust, potential delisting of units on the exchange etc. the time taken by the Mutual Fund for liquidating the investments in the scheme may be long in the event of immediate redemption requirement. Investment in such securities may lead to increase in the scheme portfolio risk. As these products are new to the market, they are likely to be exposed to liquidity risk.

**Reinvestment Risk:** Investments in REITs & InvITs may carry reinvestment risk as there could be repatriation of funds by the Trusts in form of buyback of units or dividend pay-outs, interest payments etc. Depending upon the market conditions, interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. As a result, the proceeds may get invested at a lower rate.

**Credit Risk:** REITs & InvITs are likely to have volatile cash flows as the repayment dates would not necessarily be pre scheduled.

**Regulatory / Legal Risk:** REITs and InvITs being new asset classes, regulatory guidelines may be evolving in nature which may impact the investments in REITs and InvITs

### **Risks associated with Segregated Portfolio**

**Liquidity risk - Segregated Portfolio** is created to separate debt and money market instruments affected by a Credit Event from the Main Portfolio of the Scheme. The Fund will not permit redemption of the Segregated Portfolio units, but the units will be listed on a recognized stock exchange. The Fund is not assuring any liquidity of such units on the stock exchange. Further, trading price of units on the stock exchange may be significantly lower than the prevailing NAV. Investors can continue to transact (subscribe / redeem) from the Main Portfolio.

**Credit risk –** While the AMC will put in sincere efforts to recover the securities in the Segregated Portfolio and distribute the same to

unit holders, because such securities are affected by credit event, it is likely that such securities may not realize any value leading to losses to investors.

### **Risk Factors of covered call strategy**

Covered call strategy is known as selling a call option on the shares which an investor holds. Under this strategy the investor owns the shares and has taken on the potential obligation to deliver the shares to the option buyer and accept the predetermine price as the price at which he sells the shares. For his willingness to do this, the investor receives the premium on the option.

### **Benefit of covered call strategy,**

**Income Generation:** Investment manager sees this strategy as income generation. when investment manager is under view that the price of a share will not move beyond certain price in certain time frame, his endeavour will be to generate income by selling call option on that stock.

**Downside Hedging:** downside of the stock is protected to the extent of premium received under covered call strategy.

**Volatility risk:** Volatility risk arises when market more volatile than the Fund Manager's estimation. The investment manager holds view of range bound market and the market volatility breaches these limits, thereby increasing risk to the portfolio. This risk is mitigated as we have covered with the stocks we hold.

**Opportunity loss:** Selling call option means investment manager are obligated to deliver the stock at predetermined price. In case when the stock price move above the predetermine price the upside opportunity is lost on the stock, because we have sold call option.

Writing call options are highly specialized activities and entail higher than ordinary investment risks. In such investment strategy, the profits from call option writing is capped at the option premium, however the downside depends upon the increase in value of the underlying equity shares.

### **Restriction in Writing of Covered Call Options by Mutual Fund Schemes:**

In terms of para 12.25.8 of SEBI Master Circular on Mutual funds dated May 19, 2023 have been permitted to write call options under a covered call strategy as prescribed below:

Mutual Fund schemes (except Index Funds and ETFs) may write call options only under a covered call strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following:

- a. The total notional value (taking into account strike price as well as premium value) of call options written by a scheme shall not exceed 15% of the total market value of equity shares held in that scheme.
- b. The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances.
- c. At all points of time the Mutual Fund scheme shall comply with the provisions at paragraph (a) and (b) above. In case of any passive breach of the requirement at paragraph (a), the respective scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the said scheme.
- d. In case a Mutual Fund scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with paragraphs (a) and (b) above while selling the securities.
- e. In no case, a scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts.

- f. The premium received i.e. the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme.
- g. The exposure on account of the call option written under the covered call strategy shall not be considered in cumulative gross exposure of the Scheme for computing 100% of the net assets of the scheme.
- h. The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the respective scheme(s) until the position is closed or expired.

### **Risks associated with transaction in Units through Stock Exchange mechanism**

Trading through mutual fund trading platforms of BSE and/or NSE In respect of transaction in Units of the Scheme through BSE and/or NSE allotment and redemption of Units on any Business Day will depend upon the order processing/settlement by BSE and/or NSE and their respective clearing corporations on which the Mutual Fund has no control.

### **Risk associated with investments in Gold/Silver ETFs:**

- To the extent the Scheme's assets are invested in Gold/Silver ETFs, the risks associated with the underlying Gold/ Silver ETFs, will also be applicable.
- Generally, the investments in ETFs are exposed to tracking error risk, passive management risk and price volatility risk. The Scheme would invest in Gold/Silver ETFs and thus the NAV of the scheme will react to Gold/Silver price movements. Several factors that may affect the price of gold/silver are as follows: - Global gold/ silver supplies and demand, which is influenced by factors such as forward selling by gold/silver producers, purchases made by gold/silver producers to unwind gold/silver hedge positions, central bank purchases and sales, productions and cost levels in major gold/silver producing countries
  - Investors' expectations with respect to the rate of inflation
  - Currency exchange rates
  - Interest rates - Investment and trading activities of hedge funds and commodity funds
  - Global or regional political, economic or financial events and situations
  - Changes in indirect taxes or any other levies

Investors should be aware that there is no assurance that gold/silver will maintain its long-term value in terms of purchasing power in the future. In the event that the price of gold/silver declines, the value of investment is expected to decline proportionately.

- The returns from physical gold/silver in which the underlying Gold/Silver ETFs invest may underperform returns from the various general securities markets or different asset classes other than gold/silver. Different types of securities tend to go through cycles of outperformance and under-performance in comparison to the general securities markets.
- The units of Gold/Silver ETFs may trade above or below their NAV. The NAV of the Scheme will fluctuate with changes in the market value of the holdings. The trading prices will fluctuate in accordance with changes in their NAV as well as market supply and demand. However, given that units can be created and redeemed in Creation Units, it is expected that large discounts or premiums to the NAV will not sustain due to arbitrage opportunity available.
- The scheme will subscribe to the units of Gold/Silver ETFs according to the value equivalent to unit creation size as applicable. When subscriptions received are not adequate enough to invest in creation unit size, the subscriptions may be

deployed in debt and money market instruments which will have a different return profile compared to gold/silver returns profile. The Scheme may also purchase units of Gold/Silver ETFs from the secondary market in stock exchange when subscriptions received are not adequate enough to invest in creation unit size. Since the price of Gold/Silver ETF units traded on stock exchange may be different from the NAV of Gold/Silver ETF due to liquidity, the Scheme may at times purchase units which are higher in price than the value of gold/silver represented by them or indicative NAV (iNAV) of the Gold/Silver ETF. However, the Fund Manager would make best efforts to purchase units at a price which may be closer or equivalent to representative value of the gold/silver or indicative NAV (iNAV) of the Gold/Silver ETF.

- The units issued under the Scheme, when predominantly invested in Gold/Silver ETFs, will derive liquidity from the underlying Gold/Silver ETF having creation / redemption process in creation unit size of predefined quantity of physical gold/silver. At times prevailing market conditions may affect the ability of the underlying Gold/Silver ETFs to sell gold/silver against the redemption request received.
- Furthermore, the endeavor would always be to get cash on redemptions from the underlying Gold/silver ETFs. However, in case the underlying Gold/Silver ETF is unable to sell for any reason, and delivers physical gold/silver, there could be delay in payment of redemption proceeds pending such realization.
- Additionally, the Scheme will seek to derive liquidity from trading units of underlying Gold/Silver ETFs on the exchange(s) in the secondary market which may be inherently restricted by trading volumes, settlement periods and transfer procedures. As there is no active secondary market for Gold/Silver ETFs, the processing of redemption requests at times may be delayed. In the event of an inordinately large number of redemption requests, or restructuring of the Scheme's investment portfolio, the processing of redemption requests may be delayed.
- Gold/Silver ETFs would ordinarily repurchase Units in Creation Unit Size. Thus Unit holding less than Creation Unit Size can only be sold through the secondary market on the Exchange. Further, the price received upon the redemption of Units of Gold/Silver ETFs may be less than the value of the gold/silver represented by them.
- Risks associated with handling, storing and safekeeping of physical gold/silver by underlying scheme would always be applicable to the scheme to the extent of its investment in gold/silver ETF. All physical gold/silver procured must follow the LBMA guidelines as per prescribed SEBI guidelines. Risk arises when part or all of the gold/silver held by the Fund could be lost, stolen or damaged and access to gold/silver may be restricted due to natural calamities or human actions. Loss or damage directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power. Loss due to aridity, humidity, exposure to light or extremes of temperature. Hence, the Custodian of the Gold/silver ETF is required to maintain insurance in regard to the business on terms and conditions and the custodian is also responsible for all costs arising from the insurance policies. The custodian taking delivery on behalf of the underlying schemes needs to ensure the weight, purity, and the source of gold/silver as specified under the LBMA guidelines. Since this is paramount to the SEBI guidelines the risk arises in violation of same. Safekeeping of physical gold/silver requires appropriate vaulting space, confirming to the best global standards. The vaulting agents engaged by the custodian needs to ensure the same.

### **RISK MANAGEMENT STRATEGIES**

The Fund by utilizing a holistic risk management strategy will endeavor to manage risks associated with investing in debt, and

equity instruments. The risk control process involves identifying & measuring the risk process involves identifying & measuring the risk through various risk measurement tools.

Risks & Description	Risk Mitigants/Management Strategy
<b>Market Risk :</b> Value of holdings may fall as a result of market movements	Investment approach supported by comprehensive research
<b>Currency Risk :</b> Risk on account of exchange rate fluctuations	Investment manager could use (there is no obligation) derivatives to hedge currency risk
<b>Country Risk :</b> Risk on account of exposure to a single country	Investment universe is carefully selected to include high quality businesses
<b>Liquidity Risk :</b> High impact costs	Robust process for periodic monitoring of liquidity
<b>Concentration Risk :</b> Risk on account of high exposure to a risk class	Investment across industries / sectors
<b>Legal / Tax / Regulatory Risk :</b> Risk on account of changes in regulations	This risk is dependent upon a future event and will be clearly communicated to the investor. Comprehensive documentation including disclosures and disclaimers.
<b>Event Risk :</b> Price risk as a result of company or sector specific event	Usage of derivatives : Hedge portfolios if required, in case of predictable events Mitigated as instruments are normally exchange traded with readily available data
<b>Valuation Risk :</b> Risk on account of incorrect valuation	Valuation as per guidelines of Pricing and Valuation policy. Usage of third-party valuation agent
<b>Interest Rate Risk :</b> Value of holdings may fall as a result of movements in interest rate	Determination of duration bands based on extensive macro-economic analysis

## B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEMES / PLANS OF MUTUAL FUNDS

The Scheme / Plan (s) shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme / Plan(s). However, if such limit is breached during the NFO of the Scheme, the Fund will endeavour to ensure that within a period of three months or the end of the succeeding calendar quarter from the close of the NFO of the Scheme, whichever is earlier, the Scheme complies with these two conditions. In case the Scheme / Plan(s) does not have a minimum of 20 investors in the stipulated period, the provisions of Regulation 39(2)(c) of the SEBI (MF) Regulations would become applicable automatically without any reference from SEBI and accordingly the Scheme / Plan(s) shall be wound up and the units would be redeemed at applicable NAV. The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI. If there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

## C. SPECIAL CONSIDERATIONS

- The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond the initial contribution of an amount of Rs. 1,00,000 (Rupees One Lakh) collectively made by the Sponsor towards setting up the Mutual Fund or such other accretions and additions to the initial corpus set up by the Sponsor.
- From time to time and subject to the Regulations, the Sponsor, their associates, subsidiaries, the Mutual Fund and the AMC may invest directly or indirectly in the Scheme. These entities may acquire a substantial portion of scheme's units and collectively constitute a major investor in the Scheme. Accordingly, redemption of Units held by such entities may have an adverse impact on the Scheme because the timing of such redemption may impact the ability of other Unitholders to redeem their Units.
- As the liquidity of the Scheme investments could, at times, be restricted by trading volumes and settlement periods, the time taken by the Fund for redemption of Units may be significant in the event of an inordinately large number of redemption requests or of a restructuring of the Scheme' portfolio. In view of this, the Trustees have the right, in their sole discretion to limit redemptions (including suspending redemption) under certain circumstances, as described under the section titled "Suspension of Redemption of units".
- Redemptions due to change in the fundamental attributes of the Scheme or due to any other reasons or winding up of the Scheme for reasons mentioned in this Document may entail tax consequences. The Trustees, the Mutual Fund, the AMC, their directors or their employees shall not be liable for any tax consequences that may arise.
- The Scheme at times may receive large number of redemption requests which may have an adverse impact on the performance of the Scheme and may also affect all the unit holders as the fund manager needs to liquidate securities to meet the redemptions post which the portfolio is likely to be less liquid.
- The tax benefits described in this SID are as available under the present taxation laws and are available subject to conditions. The information given is included for general purpose only and is based on advice received by the AMC regarding the law and practice in force in India and the investors should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will endure indefinitely. In view of the individual nature of tax consequences, each investor is advised to consult his / her own professional tax advisor.
- No person receiving a copy of this Scheme Information Document or any accompanying application form in such jurisdiction may treat this Scheme Information Document or such application form as constituting an invitation to them to subscribe for Units nor should they in any event use any such application form unless, in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance of any registration or other legal requirements.
- Neither this SID nor the Units of the Scheme have been registered in any jurisdiction. The distribution of this SID in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this SID are required to inform themselves about, and to observe, any such restrictions.
- Prospective investors should review / study this SID carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax,

financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale, switch or redemption or conversion into money) of Units and to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalisation, disposal (sale, transfer, switch or conversion into money) of Units within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase / gift Units are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding Units before making an application for Units.

- The Mutual Fund / the AMC have not authorised any person to give any information or make any representations, either oral or written, not stated in this SID in connection with issue of Units under the Scheme. Prospective investors are advised not to rely upon any information or representations not incorporated in this SID as the same have not been authorised by the Fund or the AMC. Any subscription, purchase or sale made by any person on the basis of statements or representations which are not contained in this SID or which are inconsistent with the information contained herein shall be solely at the risk of the investor.
- To the best of the knowledge and belief of the Trustees and the AMC, information contained in this SID is in accordance with the SEBI regulations and the facts stated herein are correct and this SID does not omit anything likely to have an impact on the importance of such information.
- The AMC is also registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322 and is deemed to be registered as such under SEBI (Portfolio Managers) Regulations, 2020. The AMC has proper systems and controls in place to ensure that there is no conflict of interest between the activity of managing the schemes of the Mutual Fund and the activity of Portfolio Management Services and there exist systems to prohibit access to insider information.
- Further, an asset management company, subject to certain conditions, may also be permitted to undertake activities in the nature of management and advisory services to pooled assets including offshore funds, insurance funds, pension funds, provident funds or such categories of foreign portfolio investor subject to such conditions as may be specified by SEBI from time to time, if any of such activities are not in conflict with the activities of the mutual fund. Accordingly, the AMC is also providing non-binding advisory services to HSBC Group's offshore funds, which are appropriately regulated foreign portfolio investors investing in India, through the fund managers managing the schemes of the Fund, as permitted under Regulation 24(b) of the Regulations. SEBI vide its email dated November 26, 2020, accorded its no objection to the AMC for providing such non-binding investment advisory services to HSBC Group's offshore funds, which are appropriately regulated foreign portfolio investors, by the fund managers of the schemes of the Fund. The AMC has proper systems and controls in place to ensure that (a) there is no conflict of interest between the activities of managing the schemes of the Fund and other activities of the AMC; and (b) interest of the unit holders of the schemes of the Fund are protected at all times. In case of an unavoidable conflict of interest situation, the AMC shall make appropriate disclosures in an appropriate manner, which shall include the source of conflict, potential 'material risk or damage' to the Fund's investors' interests and detailed parameters for the same.

### Compliance under FATCA

India has executed an Inter-Governmental Agreement (IGA) with the U.S. and the Fund intends to take any measures that may be required to ensure compliance under the terms of the IGA and

local implementing regulations. In order to comply with its FATCA obligations, the Fund will be required to obtain certain information from its investors so as to ascertain their U.S. tax status. If the investor is a specified U.S. person, U.S. owned non-U.S. entity, non-participating FFI ("NPFPI") or does not provide the requisite documentation, the Fund may need to report information on these investors to the appropriate tax authority, as far as legally permitted. If an investor or an intermediary through which it holds its interest in the Fund either fails to provide the Fund its agents or authorised representatives with any correct, complete and accurate information that may be required for the Fund to comply with FATCA or is a NPFPI, Fund may be required to provide information about payment to NPFPI to upstream payor to enable them to make the appropriate FATCA withholding on NPFPIs. Further, we may be compelled to sell its interest in the Fund or, in certain situations, the investor's interest in the Fund may be sold involuntarily. The Fund may at its discretion enter into any supplemental agreement without the consent of investors to provide for any measures that the Fund deems appropriate or necessary to comply with FATCA, subject to this being legally permitted under the IGA or the Indian laws and regulations. FATCA is globally applicable from July 1, 2014 and in order to comply with FATCA obligations, the Fund will, seek additional information from investors while accepting applications, in order to ascertain their U.S. Person status. The Fund will not accept applications which are not accompanied with information / documentation required to establish the U.S. Person status of investors. Investors are therefore requested to ensure that the details provided under Section "Confirmation under Foreign Account Tax Compliance Act (FATCA) for determining US person status" of the application form are complete and accurate to avoid rejection of the application (updated forms are available with ISCs or on Fund's website – [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in)).

Investors should consult their own tax advisors regarding the FATCA requirements with respect to their own situation. In the event of any conflict or inconsistency between any of these Terms and Conditions and those in any other service, product, business relationship, account or agreement between investor and HSBC, these terms shall prevail, to the extent permissible by applicable local law. If all or any part of the provisions of these Terms and Conditions become illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair the legality, validity or enforceability of such provision in any other jurisdictions or the remainder of these Terms and Conditions in that jurisdiction. These Terms and Conditions shall continue to apply notwithstanding the death, bankruptcy or incapacity of the investor, the closure of any investor account, the termination of HSBC's provision of the Services to the investor or the redemption of the investor's investment in the Fund.

### Common Reporting Standards

India has joined the Multilateral Competent Authority Agreement (MCAA) on automatic exchange of financial information in Tax Matters, commonly known as Common Reporting Standards ('CRS'). All countries which are signatories to the MCAA are obliged to exchange a wide range of financial information after collecting the same from financial institutions in their jurisdiction.

In accordance with Income Tax Act read with SEBI Circular nos. CIR/MIRSD/2/2015 dated August 26, 2015 and CIR/MIRSD/3/2015 dated September 10, 2015 regarding implementation of CRS requirements, it shall be mandatory for all new investors to provide details and declaration pertaining to CRS in the application form, failing which the AMC shall have authority to reject the application.

### Compliance with Volcker Rule

The Volcker Rule is a part of the U.S. Dodd Frank Act which prohibits U.S. banks from proprietary trading and restricts investment in hedge funds and private equity by commercial banks and their affiliates. HSBC Holdings plc, is a U.S. regulated bank holding company and any entity (company, fund, trust, partnership etc.) located anywhere in the world, that is directly or indirectly controlled by the parent

company is subject to the Volcker Rule. The Volcker Rule is effective from July 21, 2015. As part of HSBC's Volcker Conformance obligations, the Fund is required to implement a Compliance Programme to ensure on-going compliance with the Volcker Rule and the AMC must ensure that no HSBC affiliate (fund or business entity) invests in the Fund unless it has implemented necessary controls to ensure that the ownership limits, in line with the Volcker Rule, can be met. Hence, the Scheme may not be able to accept subscriptions from HSBC group entities into the Scheme, aggregating to more than 25% of the voting rights of the Scheme. In the event of the aggregate investment by HSBC group entities crossing the above limits, the AMC will have the discretion to reject any subscription/switch applications received or redeem any excess exposure by the group entities in the Scheme, to be in compliance with the Volcker Rule.

### **Interpretation**

- For all purposes of this SID, except as otherwise expressly provided or unless the context otherwise requires:
- The terms defined in this SID include the plural as well as the singular.
- Pronouns having a masculine or feminine gender shall be deemed to include the other.
- All references to "US\$" refer to United States Dollars and "Rs." or "r" refer to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand".
- The contents of the SID are applicable to all the Scheme covered under this SID, unless specified otherwise.
- All references to timings relate to Indian Standard Time (IST).

## D. DEFINITIONS

In this SID, the following words and expressions shall have the meaning specified herein, unless the context otherwise requires:

<b>ADRs and GDRs</b>	ADRs are negotiable certificates issued to represent a specified number of shares (or one share) in a foreign stock that is traded on a U.S. exchange. ADRs are denominated in U.S. dollars. GDRs are negotiable certificates held in the bank of one country representing a specific number of shares of a stock traded on an exchange of another country.
<b>Asset Management Company or AMC or Investment Manager</b>	HSBC Asset Management (India) Private Limited, incorporated under the provisions of the Companies Act, 1956, and approved by SEBI to act as Investment Manager for the Schemes of the Mutual Fund.
<b>Applicable NAV</b>	The Net Asset Value applicable for purchases / redemptions / switches etc., based on the Business Day and relevant cut-off times on which the application is accepted at an Investor Service Centre.
<b>Application Form/Key Information Memorandum</b>	A form meant to be used by an investor to open a folio and Purchase Units under the Scheme offered under this Scheme Information Document. Any modifications to the Application Form will be made by way of an addendum, which will be attached thereto. On issuance of such addendum, the Application Form will be deemed to be updated by the addendum.
<b>Business Day</b>	A day other than (1) Saturday and Sunday and / or (2) a day on which The Bombay Stock Exchange Limited and / or National Stock Exchange of India Limited are closed and / or (3) a day on which the sale and / or redemption and / or switches of Units is suspended by the Trustees / AMC and / or (4) a day on which normal business cannot be transacted due to storms, floods, bandhs, strikes or such other events as the AMC may determine from time to time. The AMC reserves the right to change the definition of Business Day(s). Provided that - Days when the banks in any location where the AMC's Investor Service Centres are located, are closed due to a local holiday, such days will be treated as non Business Days at such centres for the purposes of accepting fresh subscriptions. However, if the Investor Service Centre in such locations is open on such local holidays, then redemption and switch requests will be accepted at those centres, provided it is a Business Day for the Scheme on an overall basis.
<b>Credit Event (With respect to creation of a Segregated Portfolio) Creation of Segregated Portfolio</b>	Creation of Segregated Portfolio shall be subject to guidelines specified by SEBI from time to time and includes the following: 1) Segregated Portfolio may be created, in case of a Credit Event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under: a. Downgrade of a debt or money market instrument to 'below investment grade', or b. Subsequent downgrades of the said instruments from 'below investment grade', or c. Similar such downgrades of a loan rating. 2) Trigger of a pre-specified event for loss absorption in case of debt instruments with special features such as subordination to equity (absorption of losses before equity capital) and/or conversion to equity upon trigger of a pre-specified event for loss absorption. In case of debt instruments with special features mentioned above, if the instrument is to be written off or converted to equity pursuant to any proposal, the date of said proposal may be treated as the Trigger Date. However, if the said instruments are written off or converted to equity without proposal, the date of write off or conversion of debt instrument to equity may be treated as the Trigger Date. 3) In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of Segregated Portfolio shall be based on issuer level Credit Events as mentioned above and implemented at the ISIN level. 4) In case of unrated debt or money market instruments of an issuer that does not have any outstanding rated debt or money market instruments, actual default of either the interest or principal amount by the issuer of such instruments shall be considered as a Credit Event for creation of Segregated Portfolio. 5) Creation of Segregated Portfolio is optional and is at the discretion of the AMC.
<b>Consolidated Account Statement/CAS</b>	Consolidated Account Statement is a statement containing details relating to all the transactions across all mutual funds based on common PAN, viz. purchase, redemption, switch, pay-out of IDCW, reinvestment of IDCW, Systematic Investment Plan, Systematic Withdrawal Plan, Systematic Transfer Plan and bonus transactions, etc.
<b>Custodian</b>	A person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations, 1996, which for the time being is Citibank N.A.

<b>Cut-off Time</b>	Cut off Time in relation to Subscription and Redemption of units means the outer limits of timings on a particular Business Day which are relevant for determination of Applicable NAV that is to be applied for the transaction.
<b>Call Option</b>	Call option is a financial contract between two parties, the buyer and the seller of the option. The call allows the buyer the right (but not the obligation) to buy a financial instrument (the underlying instrument) from the seller of the option at a certain time for a certain price (the strike price). The seller assumes the corresponding obligations.
<b>Designated Collection Centre</b>	Such centres as may be designated by the AMC for collection of subscriptions and / or redemptions and / or switches in the Scheme.
<b>Direct Plan</b>	Direct Plan is a plan available for investors who purchase/subscribe units in a scheme directly with the Fund i.e. investments / applications not routed through the Distributor
<b>Depository</b>	Depository as defined in the Depositories Act, 1996
<b>Depository Participant</b>	A person registered as a participant under subsection (1A) of section 12 of the Securities and Exchange Board of India Act, 1992.
<b>Derivatives</b>	A financial instrument, traded on or off an exchange, the price of which is directly dependent upon (i.e., “derived from”) the value of one or more underlying securities, equity indices, debt instruments, commodities, other derivative instruments, or any agreed upon pricing index or arrangement (e.g., the movement over time of the Consumer Price Index or freight rates) etc. is known as a derivative. Derivatives involve the trading of rights or obligations based on the underlying product, but do not directly transfer property.
<b>Distributor</b>	Such persons / firms / companies / corporates as may be appointed by the AMC to distribute / sell / market the Schemes of the Fund.
<b>Dividend</b>	Income distributed by Scheme on the Units, where applicable.
<b>ETF/Exchange Traded Fund</b>	A mutual fund scheme, the units of which are traded on the stock exchange.
<b>Equity related securities</b>	‘Equity related instruments’ include convertible debentures, convertible preference shares, warrants carrying the right to obtain equity shares, equity derivatives and such other instrument as may be specified by the Board from time to time.
<b>Exit Load</b>	A Load charged to the Unit Holder on exiting (by way of Redemption) based on period of holding, amount of investment, or any other criteria decided by the AMC.
<b>Foreign Portfolio Investor / FPI</b>	An entity registered with designated depository participant under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 as amended from time to time.
<b>Floating Rate Instruments</b>	Floating rate instruments are debt / money market instruments issued by Central / State Governments, Corporates, PSUs etc. with interest rates that are reset periodically. The periodicity of interest reset could be daily, monthly, annually or any other periodicity that may be mutually agreed between the issuer and the Fund.
<b>Foreign Securities/Offshore Securities</b>	ADRs / GDRs issued by Indian or Foreign companies, Equity of overseas companies listed on recognized stock exchanges overseas, Initial public offer (IPO) and Follow on public offerings (FPO) for listing at recognized stock exchanges overseas, Foreign debt securities in the countries with fully convertible currencies, with rating not below investment grade by accredited / registered credit rating agencies, Money market instruments rated not below investment grade, Repos - only as pure investment avenues, where the counter party is rated not below investment grade; also repos should not however, involve any borrowing of funds by mutual funds, Government securities where the countries are rated not below investment grade, Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities, Short term deposits with banks overseas where the issuer is rated not below investment grade, Units/securities issued by overseas mutual funds registered with overseas regulators and investing in approved securities or Real Estate Investment Units / securities issued by overseas mutual funds registered with overseas regulators and investing in approved securities or Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or unlisted overseas securities (not exceeding 10% of their net assets) or such other security / instrument as stipulated by SEBI / RBI / other Regulatory Authority from time to time.
<b>Fund or Mutual Fund</b>	HSBC Mutual Fund, a trust set up under the provisions of the Indian Trusts Act, 1882 and registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 vide Registration No. MF/046/02/5 dated May 27, 2002.
<b>First Time Mutual Fund Investor</b>	An investor who invests for the first time ever in mutual fund either by way of Purchase/ Subscription or under Systematic Investment Plan.
<b>Gilts/Government Securities</b>	Securities created and issued by the Central Government and/or State Government.
<b>Gold Exchange Traded Fund scheme</b>	Gold exchange traded fund scheme shall mean a mutual fund scheme that invests primarily in gold or gold related instruments.
<b>HSCI or Sponsor or Settlor</b>	HSBC Securities and Capital Markets (India) Private Limited, a company incorporated under the provisions of the Companies Act, 1956.



<b>Investment Management Agreement</b>	The Agreement dated February 7, 2002 entered into between the Trustees of the Mutual Fund and HSBC Asset Management (India) Private Limited as amended from time to time.
<b>Investor Service Centres or ISC</b>	Such offices as are designated as Investor Service Centres by the AMC from time to time.
<b>Load</b>	In case of repurchase / switch out of a Unit, the sum of money deducted from the applicable NAV on the repurchase / switch out (Exit Load) and in the case of sale / switch in of a Unit, a sum of money to be paid by the prospective investor on the sale / switch in of a Unit in addition to the applicable NAV (Entry Load). Exit/Entry load is not applicable for Segregated Portfolio.
<b>Main Portfolio</b>	Scheme portfolio excluding the Segregated Portfolio.
<b>Money Market Instruments</b>	Commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bills, Tri-party REPO (TREPS) and any other like instruments as specified by the Reserve Bank of India from time to time.
<b>MIBOR</b>	Mumbai Interbank Offered rate. MIBOR is equivalent to daily call rate. It is the overnight rate at which funds can be borrowed and changes every day.
<b>NAV</b>	Net Asset Value of the Units of the Scheme, Plan(s) (including Option(s) if any, therein) calculated in the manner provided in this SID or as may be prescribed by the Regulations from time to time.
<b>Non Resident Indian/NRI</b>	A person resident outside India who is a citizen of India or is a person of Indian origin as per the meaning assigned to the term under Foreign Exchange Management (Investment in firm or proprietary concern in India) Regulations, 2000 as amended from time to time.
<b>Person of Indian Origin</b>	A citizen of any country other than Bangladesh or Pakistan, if (a) he at any time held Indian passport; or (b) he or either of his parents or any of his grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or (c) the person is a spouse of an Indian citizen or a person referred to in sub-clause (a) or (b).
<b>Purchase/Subscription</b>	Subscription to/Purchase of Units by an investor from the Mutual Fund.
<b>Purchase Price</b>	The price being Applicable NAV at which the Units can be purchased and calculated in the manner provided in this Scheme Information Document.
<b>RBI</b>	Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time.
<b>Registrar</b>	Computer Age Management Services Ltd. (CAMS), registered under the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, currently acting as Registrar to the Scheme or any other registrar appointed by the AMC from time to time. The Registrar is registered with SEBI under registration No: INR000002813 with its registered address at New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.
<b>Repo / Reverse repo</b>	Sale / Purchase of Government Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase / resell them at a later date.
<b>Repurchase / Redemption</b>	Repurchase / redemption of Units of the Scheme.
<b>Redemption Price</b>	The price (being Applicable NAV minus Exit Load) at which the Units can be redeemed and calculated in the manner provided in this Scheme Information Document.
<b>Sale / Subscription</b>	Sale / subscription of Units of the Scheme.
<b>Scheme</b>	HSBC Multi Asset Allocation Fund (including, as the context permits, the Plans / Options / Sub-options under Main/ Segregated/Total Portfolio)
<b>Scheme Information Document (SID)</b>	This document issued by the Mutual Fund, offering units of the Scheme (s) of the Mutual Fund, for subscription.
<b>Statement of Additional Information/SAI</b>	The document issued by HSBC Mutual Fund containing details of HSBC Mutual Fund, its constitution and certain tax, legal and general information. SAI is legally a part of the Scheme Information Document.
<b>SEBI</b>	Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992, as amended from time to time.
<b>SEBI Regulations or Regulations</b>	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time, including by way of circulars or notifications issued by SEBI, the Government of India or RBI.
<b>Segregated Portfolio</b>	A portfolio, comprising of debt or money market instrument affected by a Credit Event that has been segregated in the Scheme. Note: Creation of Segregated Portfolio shall be optional and at the discretion of the AMC.
<b>Silver Exchange Traded Fund scheme</b>	Silver exchange traded fund scheme shall mean a mutual fund scheme that invests primarily in silver or silver related instruments.
<b>SIP</b>	Systematic Investment Plan
<b>SWP</b>	Systematic Withdrawal Plan
<b>STP</b>	Systematic Transfer Plan

<b>Switch</b>	Sale of a Unit(s) in one Scheme / Plan(s) / Option(s) against purchase of a Unit(s) in another Scheme / Plan(s) / Option(s).
<b>Stock Exchange Platform for Mutual Funds</b>	Mutual Fund Service System (MFSS) of NSE and / or BSE Stock Exchange Platform for Allotment and Repurchase' of Mutual Fund (BSE StAR MF) of BSE. The transactions carried out on the above platform(s) shall be subject to such guidelines and directives as may be issued by the respective stock exchanges and also, SEBI (Mutual Funds) Regulations, 1996 and circulars / guidelines issued thereunder from time to time.
<b>Total Portfolio</b>	Scheme portfolio including the securities affected by the Credit Event.
<b>Tri-party Repo (TREPS)</b>	Repo contract where a third entity (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction.
<b>Trustees</b>	The Board of Trustees of HSBC Mutual Fund and approved by SEBI to act as the Trustees of the Schemes of the Fund or any other Trustee as may be appointed from time to time by the Sponsor and as approved by SEBI.
<b>Transaction Charge(s)</b>	A charge that would be deducted from the subscription money received from an investor, investing through a distributor who has exercised the option to levy such charge.
<b>Transaction Slip</b>	A form meant to be used by Unit Holders seeking additional Purchase or Redemption of Units under the Scheme of the Mutual Fund, change in bank account details, switch-in or switch-out and such other facilities offered by the AMC and mentioned in Transaction Slip.
<b>Trust Fund</b>	Amounts settled / contributed by the Sponsor towards the corpus of the HSBC Mutual Fund and additions / accretions thereto.
<b>Unit</b>	The interest of an investor which consists of one undivided share in the net assets of the Scheme.
<b>Unitholder or Investor</b>	A holder of Units in the Scheme of HSBC Mutual Fund offered under this SID.
<b>Valuation Day</b>	Business Day
<b>Words and Expressions used in this Scheme Information Document and not defined</b>	Same meaning as in the Trust Deed.

## Abbreviations

In this Scheme Information Document, the following abbreviations have been used.

<b>ADR</b>	:	American Depository Receipt
<b>AMC</b>	:	Asset Management Company
<b>AMFI</b>	:	Association of Mutual Funds in India
<b>BSE</b>	:	BSE Limited
<b>CAS</b>	:	Consolidated Account Statement
<b>CD</b>	:	Certificate of Deposit
<b>CP</b>	:	Commercial Paper
<b>ECS</b>	:	Electronic Clearing System
<b>EFT</b>	:	Electronic Fund Transfer
<b>FPI</b>	:	Foreign Portfolio Investor
<b>GDR</b>	:	Global Depository Receipt
<b>HUF</b>	:	Hindu Undivided Family
<b>IDCW</b>	:	Income Distribution cum Capital Withdrawal
<b>IMA</b>	:	Investment Management Agreement
<b>ISC</b>	:	Investor Service Centre
<b>KYC</b>	:	Know Your Customer
<b>NAV</b>	:	Net Asset Value
<b>NECS</b>	:	National Electronic Clearing Services
<b>NEFT</b>	:	National Electronic Funds Transfer
<b>NRI</b>	:	Non-Resident Indian
<b>NSE</b>	:	National Stock Exchange of India Limited
<b>PAN</b>	:	Permanent Account Number
<b>PIO</b>	:	Persons of Indian Origin
<b>PMLA</b>	:	Prevention of Money Laundering Act
<b>POA</b>	:	Power of Attorney

<b>PTC</b>	:	Pass Through Certificates
<b>RBI</b>	:	Reserve Bank of India
<b>RTGS</b>	:	Real Time Gross Settlement
<b>SAI</b>	:	Statement of Additional Information
<b>SEBI</b>	:	Securities and Exchange Board of India established under the SEBI Act, 1992
<b>SEBI Act</b>	:	Securities and Exchange Board of India Act, 1992
<b>SI</b>	:	Standing Instructions
<b>SIP</b>	:	Systematic Investment Plan
<b>STP</b>	:	Systematic Transfer Plan
<b>SWP</b>	:	Systematic Withdrawal Plan
<b>TREP</b>	:	Tri-Party Repo

#### (A) Interpretation

For all purposes of this Scheme Information Document, except as otherwise expressly provided or unless the context otherwise requires:

The terms defined in this Scheme Information Document include the plural as well as the singular.

Pronouns having a masculine or feminine gender shall be deemed to include the other.

References to times of day (i.e. a.m. or p.m.) are to Mumbai (India) times and references to a day are to a calendar day including non-Business Day.

#### E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

##### Due Diligence Certificate

**It is confirmed that:**

- i) The draft Scheme Information Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
- ii) All legal requirements connected with the launching of the Scheme as also the guidelines, instructions, etc. issued by the Government of India and any other competent authority in this behalf, have been duly complied with.
- iii) The disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well-informed decision regarding investment in the proposed Scheme.
- iv) The intermediaries named in the Scheme Information Document, according to the information given to the AMC, are registered with SEBI and till date such registration is valid, as on date.

**For HSBC Asset Management (India) Private Limited**  
(Investment Manager to HSBC Mutual Fund)

Sd/-

**Sumesh Kumar**  
*Compliance Officer*

Place : Mumbai

Date : December 1, 2023

## SECTION II - INFORMATION ABOUT THE SCHEMES

### A. TYPE OF THE SCHEME

An open ended scheme investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs

### B. WHAT IS THE INVESTMENT OBJECTIVE OF THE SCHEME?

The aim of the fund is to generate long-term capital growth and generate income by investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

### C. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

Under normal circumstances, it is anticipated that the asset allocation of the Scheme will be as follows:

Instruments	Indicative Allocation (% of net assets)		Risk Profile
	Minimum	Maximum	
Equities & Equity related instruments@	65%	80%	Very High
Debt & Money Market Securities#	10%	25%	Low to Moderate
Gold / Silver ETFs	10%	25%	Moderate to High
Units of REITs and InvITs	0%	10%	Very High

If the Scheme decides to invest in securitized debt, it is the intention of the Investment Manager that such investments will not normally exceed 20% of the net assets of the Scheme. Derivative positions for other than hedging purposes shall not exceed 50% of total net equity and debt assets. The Scheme shall have derivative exposure as per the SEBI regulations issued from time to time.

The Scheme can take covered call positions for stock derivatives, as permitted by SEBI. The Scheme may engage in short selling and securities lending. In case of securities lending, the Scheme may take exposure up to 20% of net assets and not more than 5% of the net assets of the Scheme shall be deployed in securities lending to any single counterparty / intermediary. However, if the securities lending and borrowing is done through the exchange where Clearing Counterparty (eg: NSCCL, ICCL, etc) is the single counterparty then 5% limit is not applicable.

The gross exposure to repo transactions in corporate debt securities shall not be more than 10% of the net assets of the concerned scheme.

@The Scheme may invest in Foreign Securities including ADR / GDR upto 30% of its total assets subject to the Eligible Investment Amount. Investment in Foreign Securities shall be subject to the investment restrictions specified by SEBI / RBI from time to time.

Investments in Foreign Securities are subject to a maximum of US \$ 1 billion per Mutual Fund, within the overall industry limit of US\$ 7 billion. Further, investments in overseas Exchange Traded Fund (ETF(s)) subject to a maximum of US \$ 300 million per Mutual Fund, within the overall industry limit of US \$ 1 billion and any subsequent amendments thereto specified in clause 12.19 of SEBI Master Circular on Mutual Funds dated May 19, 2023 and/ or RBI from time to time. Further, the said limits shall be valid for a period of six months from the date of closure of NFO. Post completion of the six months, the relevant provisions for on-going schemes shall be applicable.

#Money Market instruments includes commercial papers, commercial bills, treasury bills, Tri-party repo, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time.

Pursuant to para 12.25.3 of SEBI Master Circular on Mutual Funds and SEBI Letter to AMFI dated November 03, 2021, Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure. Cash Equivalent shall consist of the following securities having residual maturity of less than 91 days:

- Government Securities
- T-Bills and
- Repo on Government securities.

The Scheme may participate in Credit Default Swap (CDS) transactions in line with the guidelines issued by SEBI / RBI from time to time. As per the extant regulatory guidelines, the exposure to a single counterparty in CDS transactions shall not exceed 10% of the net assets of the Scheme. The total exposure related to premium paid for all derivative positions, including CDS, shall not exceed 20% of the net assets of the Scheme.

All investments shall be subject to compliance with 'Restrictions on Investment in debt instruments having Structured Obligations /Credit Enhancements' as prescribed under para 12.1.5. of SEBI Master Circular on Mutual Funds dated May 19, 2023 and any other guidelines issued by SEBI from time to time. As per extant regulatory guidelines, the Scheme shall not invest more than 10% of its net assets in following instruments:

- Unsupported rating of debt instruments (i.e. without factoring-in credit enhancements) is below investment grade and
- Supported rating of debt instruments (i.e. after factoring-in credit enhancement) is above investment grade.

The scheme may participate in instruments with special features including Additional Tier 1 bonds and Additional Tier 2 bonds as prescribed under para 12.2 of SEBI Master Circular on Mutual Funds dated May 19, 2023 and any other guidelines issues by SEBI from time to time. As per the extant regulatory guidelines, the scheme shall not invest –

- more than 10% of its NAV of the debt portfolio of the scheme in such instruments; and
- more than 5% of its NAV of the debt portfolio of the scheme in such instruments issued by a single issuer

The Scheme may invest in other Scheme(s) managed by the AMC or in the schemes of any other mutual fund not exceeding 5% of net assets of the Scheme, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing Regulations. As per the Regulations, no investment management fees will be charged for such investments.

As per para 12.24 of SEBI Master Circular on Mutual Funds, the cumulative gross exposure through equity, debt instruments, Gold / Silver ETFs, REITs & InvITs units and derivative positions and other permitted securities / assets and such other securities / assets as may be permitted by SEBI from time to time, subject to approval, if any, shall not exceed 100% of net assets of the Scheme.

Pending deployment of funds, the Scheme may invest them into deposits of scheduled commercial banks as permitted under the extant Regulations.

Investments will be made in line with the asset allocation of the Scheme and the applicable SEBI and / or AMFI guidelines as specified from time to time.

### Portfolio re-balancing in case of short term defensive consideration

Due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for short term and defensive considerations as per para 1.14.1.2 of SEBI Master Circular on Mutual Funds dated May 19, 2023 and the fund manager

will rebalance the portfolio within 30 calendar days from the date of deviation.

### Portfolio re-balancing in case of passive breaches

As per para 2.9 of SEBI Master Circular on Mutual Funds dated May 19, 2023, as may be amended from time to time, in the event of deviation from mandated asset allocation due to passive breaches (occurrence of instances not arising out of omission and commission of the AMC), the fund manager shall rebalance the portfolio of the Scheme within 30 Business Days. In case the portfolio of the Scheme is not rebalanced within the period of 30 Business Days, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before the Investment Committee of the AMC. The Investment Committee, if it so desires, can extend the timeline for rebalancing up to sixty (60) Business Days from the date of completion of mandated rebalancing period.

Further, in case the portfolio is not rebalanced within the aforementioned mandated plus extended timelines the AMC shall comply with the prescribed restrictions, the reporting and disclosure requirements as specified in para 2.9 of SEBI Master Circular on Mutual Funds dated May 19, 2023.

### D. WHERE WILL THE SCHEME INVEST?

The corpus of the Scheme will be invested in various debt and money market instruments, equity and equity related instruments and Gold / Silver ETFs. The Scheme may move its assets between equity and fixed income securities depending on its view on these markets. Subject to the Regulations and other prevailing laws as applicable, the corpus of the Scheme can be invested in any (but not exclusively) of the following securities:

- Securities issued / guaranteed by the Central, State and local governments and/or repos/ reverse repos/ ready forward contracts in such government securities as are or may be permitted under the Regulations and RBI from time to time (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills)
- Debt obligations of domestic government agencies and statutory bodies, which may or may not carry a Central / State Government guarantee
- Corporate debt (of both public and private sector undertakings)
- Debt obligations of banks (both public and private sector) and financial institutions
- Convertible debentures.
- Money market instruments (which includes but is not limited to commercial papers, commercial bills, treasury bills, usance bills, government securities having unexpired maturity upto one year, certificates of deposit, bills rediscounting, TREP, repo, call money and any other like instruments as are or may be permitted under the Regulations and RBI from time to time.)
- ADRs / GDRs issued by Indian Companies.
- Units issued by REITs and InvITs
- Indian Depository Receipts (IDR) issued by foreign companies, subject to the guidelines issued by the Reserve Bank of India and Securities and Exchange Board of India.
- Foreign Securities as may be permitted by SEBI / RBI
- Securitised Debt (asset backed securities, mortgage-backed securities, pass through certificates, collateralised debt obligations or any other instruments as may be prevailing and permissible under the Regulations from time to time)
- TREPS & reverse repos including repo in corporate bonds
- Floating rate debt instruments
- Debt instruments with special features (Additional Tier 1 / Additional Tier 2 Bonds)
- Deposits of scheduled commercial banks as permitted under the extant Regulations

- Gold / Silver ETFs
- Repurchase and reverse repurchase obligations in securities
- The non-convertible part of convertible securities
- The Scheme may invest in other Scheme(s) managed by the AMC or in the schemes of any other mutual fund, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing Regulations.
- Any other domestic fixed income securities
- Equity and equity related securities including convertible bonds and debentures and warrants carrying the right to obtain equity shares.
- Derivatives Instruments as may be permitted by SEBI / RBI.
- Pass through, Pay through or other Participation Certificates representing interest in a pool of assets including receivables
- Any other instruments as may be permitted by SEBI / RBI from time to time.

The securities mentioned above could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity as enabled under SEBI MF / RBI Regulations / circulars . The securities may be acquired through Initial Public Offering (IPO), Primary market operations, secondary market operations and private placement, rights offers or negotiated deals.

The scheme may participate in Structured Obligations / Credit Enhancements as prescribed under para 12.3 of SEBI Master Circular on Mutual Funds dated May 19, 2023 and any other guidelines issued by SEBI from time to time.

The scheme may participate in Credit Default Swap (“CDS”) transactions in line with the guidelines issued by SEBI / RBI from time to time. Inter Scheme Transfers - Transfer of investments from one scheme to another scheme in the same Mutual Fund, shall be allowed, in lines with Clause 12.30 of SEBI Master Circular.

The Scheme may participate in securities lending as permitted under the Regulations.

Such investments must also be commensurate with the investment objective as set out in paragraph “Investment Objective”.

In terms of SEBI Regulations, the Scheme cannot write options or purchase instruments with embedded options except for the covered call strategy.

The above list is only indicative and the Mutual Fund/AMC reserve the right to change the same in the interest of the investors depending on the market conditions, market opportunities, applicable regulations and political and economic factors, but subject to the investment objective as set out in paragraph “Investment Objective”.

### Change in Investment Pattern

Subject to the Regulations, the asset allocation pattern indicated above for the Scheme may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unitholders, and meet the objective of the Scheme. Such changes in the investment pattern will be for short term and defensive considerations.

Provided further and subject to the above, any change in the asset allocation affecting the investment profile of the Scheme shall be effected in accordance with the provisions of sub regulation (15A) of Regulation 18 of the Regulations, as detailed in this SID.

### Securities / Stock Lending by the Mutual Fund

Subject to the Regulations and the applicable guidelines, the Scheme and the Plan(s) there under may engage in securities / stock lending. Securities / stock lending means the lending of securities / stocks to another person or entity for a fixed period of time, at a negotiated

compensation. The borrower will return the securities / stock lent on expiry of the stipulated period. Please refer to risks attached with securities lending. The Scheme, under normal circumstances, shall not have exposure of more than 20% of its net assets in securities / stock lending. The Scheme may also not lend more than 5% of its net assets to any one intermediary to whom securities / stocks will be lent. Securities / Stock Lending could be considered for the purpose of generating additional income to unit holders of the Scheme. However, if the securities lending and borrowing is done through the exchange where Clearing Counterparty (eg: NSCCL, ICCL, etc) is the single counterparty then 5% limit is not applicable. The AMC shall report to the Trustees on a quarterly basis as to the level of lending in terms of value, volume and the names of the intermediaries and the earnings / losses arising out of the transactions, the value of collateral security offered etc.

### Special Considerations

The Scheme may also use various derivative products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance Unitholders' interest.

### Investments in Derivatives

The Schemes, if permitted as per respective investment strategies, may invest in various derivatives instruments including futures (index and stock), options (index and stock) and forward contracts which are available for investment in Indian markets from time to time and which are permissible as per the applicable Regulations. Investment in such instruments will be made in accordance with the investment objective and the strategy of the Scheme to protect the value of the portfolio and to enhance returns. The investments shall also be subject to the internal limits as may be laid down from time to time and such limits and restrictions as may be prescribed by the Regulations or any other regulatory body.

### Concepts and Examples:

Derivatives are financial contracts of pre-determined fixed duration, whose values are derived from the value of an underlying primary financial instrument, commodity or index, such as: interest rates, exchange rates, commodities and equities.

#### Futures:

A futures contract is an agreement between the buyer and the seller for the purchase and sale of a particular asset at a specific future date. The price at which the asset would change hands in the future is agreed upon at the time of entering into the contract. The actual purchase or sale of the underlying asset involving payment of cash and delivery of the instrument does not take place until the contracted date of delivery. A futures contract involves an obligation on both the parties to fulfil the terms of the contract.

Currently, futures contracts have a maximum expiration cycle of 3-months. Three contracts are available for trading, with 1 month, 2 months and 3 months expiry respectively. A new contract is introduced on the next trading day following the expiry of the relevant monthly contract. Futures contracts typically expire on the last Thursday of the month. For example a contract with the January expiration expires on the last Thursday of January.

#### Index Futures

Index Futures began trading on NSE on June 12, 2000. A futures contract on the stock market index gives its owner the right and obligation to buy or sell the portfolio of stocks characterized by the index. Stock index futures are cash settled and in some cases settlement is by way of delivery of the underlying stocks.

Let us assume that the Nifty Index at the beginning of the month October 2017 was 9979 and futures indices as under were available:

Month	Bid price	Offer price
October	9997	10032
November	10049	10084
December	10102	10155

The Scheme could buy an index of October 2017 at the offer price of 10032. The Scheme will be required to pay the initial margin as required by the exchanges.

The following is a hypothetical example of a typical trade in index future and the costs associated with the trade.

	Particulars	Index Future	Actual purchase of stocks
	Index as on beginning October 2017	9979	9979
	October 2017 futures price (in Rs.)	10032	-
I.	Execution Cost (Carry cost and other costs associated with the Index Futures - 10032-9979) (in Rs.)	53	NIL
II.	Brokerage Cost - on purchase (Assumed @ 0.04% for index future and 0.05% for spot stocks) (in Rs.) (0.04% of 10032, 0.05% of 9979)	4.01	4.99
III.	Securities Transaction Tax (in Rs.) (STT on purchase of index futures - NIL; STT on purchase of stocks - 0.1% of 2840)	NIL	9.98
IV.	Gain on surplus funds (assumed 5% returns on 90% of the money left after paying margin (10%)) (in Rs.) (5% x 9979 x 90% x 30 days/365)	36.91	NIL
V.	Spot market price at the expiry of October contract (in Rs.)	10032	10032
VI.	Brokerage Cost - on sale (in Rs.) (Assumed @ 0.04% for index future and 0.05% for spot stocks) (0.04% of 10032, 0.05% of 10032)	4.01	5.02
VII.	Securities Transaction Tax (in Rs.) (STT on sale of index futures - 0.01% of 10032; STT on sale of stocks - 0.1% of 10032)	1.00	10.03
	<b>Total Cost (I + II + III - IV + VI + VII) (in Rs.)</b>	<b>25.11</b>	<b>30.02</b>

Please note that the above example is based on assumptions and is used only for illustrative purposes (including an assumption that there will be a gain pursuant to investment in index futures). As can be seen in the above example, the costs associated with the trade in futures are less than that associated with the trade in actual stock. Thus, in the above example the futures trade seems to be more profitable than the trade in actual stock. However, buying of the index future may not be beneficial as compared to buying stocks if the execution and brokerage costs on purchase of index futures are high and the return on surplus funds are low. The actual returns may vary based on actuals and depends on final guidelines/procedures and trading mechanism as envisaged by stock exchanges and other regulatory authorities.

#### Stock Futures:

Stock futures were launched on 9th November, 2001. A futures contract on a stock gives its owner the right and obligation to buy or sell the stocks. Like index futures, stock futures are also cash settled; there is no delivery of the underlying stocks. A purchase or sale of futures on a security gives the trader essentially the same price exposure as a purchase or sale of the security itself. In this regard, trading stock futures is no different from trading the security itself.

### Example:

Assume that the spot price of the stock held by Mr. X is Rs.390. Two-month futures cost him Rs. 402. For the futures contract he pays an initial margin. Now if the price of the security falls any further, he will suffer losses on the stock he holds. However, the losses he suffers on the stock will be offset by the profits he makes on his short futures position. For e.g. if the price of the stock held by him falls to Rs. 350, the fall in the price of the security will result in a fall in the price of futures. Futures will now trade at a price lower than the price at which he entered into a short futures position (assume futures trade at Rs. 340). Hence his short futures position will start making profits. The loss of Rs. 40 incurred on the security he holds, will be made up by the profits of Rs. 62 (the initial margin paid and other related costs are not considered) made on his short futures position.

### Options:

An option is a contract which provides the buyer of the option (also called the holder) the right, without the obligation, to buy (call) or sell (put) a specified asset at an agreed price on or upto a particular date. For acquiring this right the buyer has to pay a premium to the seller. The seller on the other hand has the obligation to buy or sell that specified asset at the agreed price. The premium is determined considering number of factors such as the underlying asset's market price, the number of days to expiration, strike price of the option, the volatility of the underlying asset and the risk less rate of return. The strike price, the expiration date and the market lots are specified by the exchanges.

An option contract may be of two kinds, viz., a call option or a put option. An option that provides the buyer the right to buy is a call option. The buyer of the call option (known as the holder of the option) can call upon the seller of the option (known as writer of the option) and buy from him the underlying asset at the agreed price at any time on or before the expiry date of the option. The seller of the option has to fulfill the obligation on exercise of the option.

The right to sell is called a put option. Here, the buyer of the option can exercise his right to sell the underlying asset to the seller of the option at the agreed price.

Options are of two types: (a) European and (b) American. In a European option, the holder of the option can only exercise his right on the date of expiration. In an American option, he can exercise this right anytime between the purchase date and the expiration date.

### Example on options:

**Buying a Call Option:** Assume that the Scheme buys a call option at the strike price of Rs. 2,000 and pays a premium of Rs. 100. If the market price of the underlying stock on the date of expiry of the option is Rs. 2,400 (i.e. more than Rs. 2,100 which is total of the strike price and the premium), the Scheme would earn profits. However, if on the date of the expiry of the option, the market price of the underlying stock is Rs. 1,900, the Scheme will not exercise the option and it shall lose the premium of Rs. 100.

Thus, in the above example, the loss for the Scheme, as the buyer of the option, is limited to the premium paid by him while the gains are unlimited.

**Buying a Put Option:** Assume that the Scheme buys a put option at the strike price of Rs. 2,000 and pays a premium of Rs. 100. If the market price of the underlying stock decreases to Rs. 1,850 the Scheme would be protected from the downside and would only have to bear the loss of the premium of Rs. 100 instead of a loss of Rs. 150 whereas if the stock price moves up to say Rs. 2,150 the Scheme may let the option expire and forego the premium thereby capturing Rs. 50 upside after bearing the premium of Rs. 100.

**Writing a Call Option:** Assume that the Scheme writes a call option at the strike price of Rs. 2,050 and earns a premium of Rs. 100. If the market price of the underlying stock on the date of expiry increases to Rs. 2,200 (i.e. more than Rs. 2,050) then the option is exercised. The Scheme earns the premium of Rs. 100 but loses the difference

between the market price and the exercise price i.e. Rs. 150. In case the market price of the underlying stock decreases to Rs. 2,000, the Scheme gets to keep the premium of Rs. 100.

**Writing a Put Option:** Assume that the Scheme writes a put option at the strike price of Rs. 2,050 and earns a premium of Rs. 50. If the market value of the underlying stock decreases to Rs. 2,000 the put option will be exercised and the Scheme will earn the premium of Rs. 50 but loses the difference between the exercise price and the market price which is Rs. 50. However if the market price of the underlying stock is Rs. 2,100, the option-holder will not exercise the option. As a result of which the option will expire and the Scheme will earn the premium income of Rs. 50.

### Forward Contracts:

A forward contract is a transaction in which the buyer and the seller agree upon the delivery of a specified quality (if commodity) and quantity of underlying asset at a predetermined rate on a specified future date. For example on forward contracts, please refer below.

Assume that on June 30, 2017, the scheme has invested 1 million dollars in a US treasury security. Fund Manager expects that the yields in the US will come down in the next 6 months and plans to sell the asset on December 31, 2017 to book the gain. Rupee is trading at Rs. 63 to a US Dollar on June 30, 2017. If rupee appreciates compared to the Dollar in these 6 months to say Rs. 62.50 per Dollar, the Scheme will earn lower returns in Rupee terms when the fund manager sells the investments on December 31, 2017 and converts the proceeds into Rupees. He can mitigate this exchange rate risk by entering into a forward contract to sell 1 million dollars on June 30, 2017 for value December 31, 2017 (6 month forward) and receive the prevailing premium of say 40 paise per Dollar i.e. he has locked in a rate of Rs. 63.40 per US Dollar for delivery on December 31, 2017. With this the Scheme is not exposed to the loss of Rupee appreciation or profit from Rupee depreciation.

Please note that the above examples are based on assumptions and are used only for illustrative purposes.

### Trading in Derivatives

SEBI has permitted all mutual funds to participate in derivatives trading subject to observance of guidelines issued by it in this behalf. Pursuant to this, mutual funds may use various derivative products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance Unitholders' interest.

Accordingly, the Fund may use derivative instruments like stock index futures, options on stocks, stock indices, interest rate swaps, forward rate agreements or such other derivative instruments as may be introduced from time to time as permitted under the Regulations and guidelines.

#### i) Risks

Risk associated with Interest Rate Swaps and Forward Rate Agreements is the movement in interest rates inverse to the position taken. Whereas, risk associated with Index Futures, Stock Futures, Index Options and Stock Options is the movement in market prices inverse to the position taken (along with the time decay in the prices of the Options in case of Index Options and Stock Options).

Investments in derivatives shall adhere to the restrictions as specified by SEBI vide circulars / guidelines issued from time to time.

#### ii) Scheme specific exposure to Derivatives

The Scheme shall have derivative exposure as per the SEBI Guidelines issued from time to time. These limits will be reviewed by the AMC, from time to time.

#### iii) The position limits are as under:

Position limit for Mutual Fund in index options contracts

- The Mutual Fund position limit in all index options contracts on a particular underlying index shall be Rs. 500 crore or 15% of the total open interest of the market in index options, whichever is higher, per Stock Exchange.
- This limit would be applicable on open positions in all options contracts on a particular underlying index.
- Position limit for Mutual Fund in index futures contracts:
  - The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be Rs. 500 crore or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange.
  - This limit would be applicable on open positions in all futures contracts on a particular underlying index.
- Additional position limit for hedging:
  - In addition to the position limits in index options and index futures contracts above, the Mutual Fund may take exposure in equity index derivatives subject to the following limits:
    - Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.
    - Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.
- Position limit for Mutual Fund for stock based derivative contracts
  - The position limit for the Mutual Fund in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts shall be as follows:
    - The combined futures and options limits shall be 20% of the applicable Market Wide Position Limit (MWPL).
- Position limit for each scheme of a Mutual Fund
  - The scheme-wise position limit / disclosure requirements shall be:
    - For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a mutual fund shall not exceed the higher of:
      - 1% of the free float market capitalisation (in terms of number of shares) or 5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).
      - This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.

For index based contracts, the Mutual Fund shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

As and when SEBI notifies amended limits in position limits for exchange traded derivative contracts in future, the aforesaid position limits, to the extent relevant, shall be read as if they were substituted with the SEBI amended limits.

- The Scheme cannot write options or purchase instruments with embedded written options.
- In case the Scheme invests in options, the option premium shall not exceed 20% of the net assets of the Scheme.
- Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure.

- Derivatives positions for hedging purposes will not be included in the aforesaid limits subject to compliance with the requirements mentioned in SEBI Regulations.
- The Scheme may enter in to plain vanilla interest rate swaps for hedging purposes with a counter party which is recognized as a market maker by RBI. Further, the value of the notional principal in such cases will not exceed the value of respective existing assets being hedged by the Scheme.
- In case of interest rate swaps, the exposure to a single counterparty shall not exceed 10% of the net assets of the Scheme.
- The exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limit mentioned in point (vi).
- The gross open positions across all Interest Rate Futures contracts by the Mutual Fund shall not exceed 10% of the total open interest in the respective maturity bucket or Rs. 600 crores, whichever is higher.
- The gross open positions of the Scheme across all Interest Rate Futures contracts within the respective maturity bucket shall not exceed 3% of the total open interest or Rs. 200 crores whichever is higher.
- Each position taken in derivatives shall have an associated exposure as defined under. Exposure is the maximum possible loss that may occur on a position. However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall be computed as follows:

Position	Exposure
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option bought	Option Premium Paid * Lot Size * Number of Contracts.

The following information provides a basic idea as to the nature of the derivative instruments proposed to be used by the Fund and the benefits and risks attached therewith. Please note that the examples have been given for illustration purposes only.

### Interest Rate Swaps (IRS) and Forward Rate Agreements (FRA)

#### Benefits

Certain segments of the Bond markets in India are not very liquid. Investors run the risk of illiquidity in such markets. Investing for short-term periods for liquidity purposes has its own risks. Investors can benefit if the Fund remains in call market for the liquidity and at the same time take advantage of fixed rate by entering into a swap. It adds certainty to the returns without sacrificing liquidity.

#### IRS

An IRS is an agreement between two parties (counter parties) to exchange, on particular dates in the future, one series of cash flows (fixed interest) for another series of cashflows (variable or floating interest) in the same currency and on the same principal for an agreed period of time. The exchange of cashflows need not occur on the same date. As floating rate instruments tend to be relatively less liquid, swapping a fixed rate instrument into floating returns can help in improving the liquidity of the fund.

#### FRA

A FRA is an agreement between two counter parties to pay or to receive the difference between an agreed fixed rate (the FRA rate) and the interest rate prevailing on a stipulated future date, based on a notional amount, for an agreed period. In short, in a FRA, interest rate is fixed now for a future period. The special feature of FRAs is that the only payment is the difference between the FRA rate and the reference rate and hence are single settlement contracts. As in the case of IRS, notional amounts are not exchanged.



## Basic Structure of a Swap

Assume that the Scheme has a Rs. 20 crore floating rate investment linked to MIBOR (Mumbai Inter Bank Offered Rate). Hence, the Scheme is currently running an interest rate risk and stands to lose if the interest rate moves down. To hedge this interest rate risk, the Scheme can enter into a 6 month MIBOR swap. Through this swap, the Scheme will receive a fixed predetermined rate (assume 12%) and pays the “benchmark rate” (MIBOR), which is fixed by the National Stock Exchange (NSE) or any other agency such as Reuters. This swap would effectively lock-in the rate of 12% for the next 6 months, eliminating the daily interest rate risk. This is usually routed through an intermediary who runs a book and matches deals between various counterparties.

The steps will be as follows :

- Assuming the swap is for Rs. 20 crores from June 1, 2001 to December 1, 2001. The Scheme is a fixed rate receiver at 12% and the counterparty is a floating rate receiver at the overnight rate on a compounded basis (say NSE MIBOR).
- On 1 June, 2001 the Scheme and the counterparty will exchange only a contract of having entered this swap. This documentation would be as per International Securities Dealers Association (ISDA).
- On a daily basis, the benchmark rate fixed by NSE will be tracked.
- On December 1, 2001 the following will be calculated :
- The Scheme is entitled to receive interest on Rs. 20 crores at 12% for 184 days i.e. Rs. 1.21 crores, (this amount is known at the time the swap was concluded) and will pay the compounded benchmark rate.
- The counterparty is entitled to receive daily compounded call rate for 184 days & pay 12% fixed.
- On December 1, 2001, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 1.21 crores, the Scheme will pay the difference to the counter party. If the daily compounded benchmark rate is lower, then the counterparty will pay the Scheme the difference.
- Effectively the Scheme earns interest at the rate of 12% p.a. for 6 months without lending money for 6 months fixed, while the counterparty pays interest @ 12% p.a. for 6 months on Rs. 20 crore, without borrowing for 6 months fixed.

## Risks

Interest Rate Swaps and Forward Rate Agreements have its own drawbacks like credit risk, settlement risk and interest rate risks. However, these risks are substantially reduced as the amount involved is interest streams and not principal.

## Index Futures

### Benefits

- Investment in stock index futures can give exposure to the index without directly buying the individual stocks. Appreciation in index stocks can be effectively captured through investment in Stock Index Futures.

The Fund can sell futures to hedge against market movements effectively without actually selling the stocks it holds.

The stock index futures are instruments designed to give exposure to the equity market indices. The pricing of an index future is the function of the underlying index and interest rates.

### Illustration

Spot Index: 1070

1 month Nifty Future Price on day 1: 1075

Fund buys 100 lots

Each lot has a nominal value equivalent to 200 Units of the underlying index

## Situation 1

Let us say that on the date of settlement, the future price = closing spot price = 1085

Profits for the Fund =  $(1085-1075) \times 100 \text{ lots} \times 200 = \text{Rs. } 200,000$

## Situation 2

Let us say that on the date of settlement, the future price = Closing spot price = 1070

Loss for the Fund =  $(1070-1075) \times 100 \text{ lots} \times 200 = (\text{Rs. } 100,000)$

The net impact for the Fund will be in terms of the difference between the closing price of the index and cost price (ignoring margins for the sake of simplicity). Thus, it is clear from the example that the profit or loss for the Fund will be the difference of the closing price (which can be higher or lower than the purchase price) and the purchase price. The risks associated with index futures (based on notional value) are similar to the one with equity investments. Additional risks could be on account of illiquidity and hence mispricing of the future at the time of purchase.

## Buying Options

### Benefits of buying a call option

Buying a call option on a stock or index gives the owner the right, but not the obligation, to buy the underlying stock / index at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.

### Illustration

If the Fund buys a 1 month call option on Hindustan Lever at a strike of Rs. 190, the current market price being say Rs. 191. The Fund will have to pay a premium of say Rs. 15 to buy this call. If the stock price goes below Rs. 190 during the tenure of the call, the Fund avoids the loss it would have incurred had it straightaway bought the stock instead of the call option. The Fund gives up the premium of Rs. 15 that has to be paid in order to protect the Fund from this probable downside. If the stock goes above Rs. 190, it can exercise its right and own Hindustan Lever at a cost price of Rs. 190, thereby participating in the upside of the stock.

### Benefits of buying a put option

Buying a put option on a stock originally held by the buyer gives him / her the right, but not the obligation, to sell the underlying stock at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.

### Illustration

If the Fund owns Hindustan Lever and also buys a three-month put option on Hindustan Lever at a strike of Rs. 190, the current market price being say Rs. 191. The Fund will have to pay a premium of say Rs. 12 to buy this put.

If the stock price goes below Rs. 190 during the tenure of the put, the Fund can still exercise the put and sell the stock at Rs. 190, avoiding therefore any downside on the stock below Rs. 190. The Fund gives up the fixed premium of Rs. 12 that has to be paid in order to protect the Fund from this probable downside. If the stock goes above Rs. 190, say to Rs. 220, it will not exercise its option. The Fund will participate in the upside of the stock, since it can now sell the stock at the prevailing market price of Rs. 220.

## Writing Options

### Benefits of writing an option with underlying stock holding (Covered call writing)

Covered call writing is a strategy where a writer (say the Fund) will hold a particular stock, and sell in the market a call option on the stock. Here the buyer of the call option now has the right to buy this stock from the writer (the Fund) at a particular price which is fixed by the contract (the strike price). The writer receives a premium for selling a call, but if the call option is exercised, he has to sell the underlying stock at the strike price. This is advantageous if the strike

price is the level at which the writer wants to exit his holding / book profits. The writer effectively gains a fixed premium in exchange for the probable opportunity loss that comes from giving up any upside if the stock goes up beyond the strike price.

#### **Illustration**

Let us take for example Infosys Technologies, where the Fund holds stock, the current market price being Rs. 3600. The Fund Manager holds the view that the stock should be sold when it reaches Rs. 3700. Currently the 1 month 3700 calls can be sold at say Rs. 50. Selling this call gives the call owner the right to buy from the Fund, Infosys at Rs. 3700.

Now the Fund by buying / holding the stock and selling the call is effectively agreeing to sell Infosys at Rs. 3700 when it crosses this price. So the Fund is giving up any possible upside beyond Rs. 3700. However, the returns for the Fund are higher than what it would have got if it just held the stock and decided to sell it at Rs. 3700. This is because the Fund by writing the covered call gets an additional Rs. 150 per share of Infosys. In case the price is below Rs. 3700 during the tenure of the call, then it will not be exercised and the Fund will continue to hold the shares. Even in this case the returns are higher than if the Fund had just held the stock waiting to sell it at Rs. 3700.

#### *Benefits of writing put options with adequate cash holding*

Writing put options with adequate cash holdings is a strategy where the writer (say, the Fund) will have an amount of cash and will sell put options on a stock. This will give the buyer of this put option the right to sell stock to the writer (the Fund) at a pre-designated price (the strike price). This strategy gives the put writer a premium, but if the put is exercised, he has to buy the underlying stock at the designated strike price. In this case the writer will have to accept any downside if the stock goes below the exercise price. The writer effectively gains a fixed premium in exchange for giving up the opportunity to buy the stock at levels below the strike price. This is advantageous if the strike price is the level at which the writer wants to buy the stock.

#### **Illustration**

Let us take for example, that the Fund wants to buy Infosys Technologies at Rs. 3500, the current price being Rs. 3600. Currently the three-month puts can be sold at say Rs. 100. Writing this put gives the put owner the right to sell to the Fund, Infosys at Rs. 3500.

Now the Fund by holding cash and selling the put is agreeing to buy Infosys at Rs. 3500 when it goes below this price. The Fund will take on itself any downside if the price goes below Rs. 3500. But the returns for the Fund are higher than what it would have got if it just waited till the price reached this level and bought the stock at Rs. 3500, as per its original view. This is because the Fund by writing the put gets an additional Rs. 100 per share of Infosys. In case the price stays above Rs. 3500 during the tenure of the put, then it will not be exercised and the Fund will continue to hold cash. Even in this case the returns are higher than if the Fund had just held cash waiting to buy Infosys at Rs. 3500.

The derivative strategy used could be directional views or arbitrage opportunities available. Identification and execution of the strategies to be pursued by the Fund Manager(s) involve uncertainty and decision of Fund Manager(s) may not always be profitable.

### **Valuation of Derivative Products**

- The traded derivatives shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time.
- The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time.

### **Guidelines for investments in securitized debt**

#### **a) How the risk profile of securitized debt fits into the risk appetite of the Scheme?**

Objective of debt portion of the Schemes / Plans is to invest in high quality debt instruments like gilts, corporate bonds and money market instruments which would give accrual as well as capital appreciation over the period. Tenor of investments would depend on interest rate conditions and Fund Manager's view.

The Schemes / Plans may invest in securitized debt provided there are suitable opportunities available from time to time. Primarily the reasons for making such investments are:

- To increase the yield of the portfolio;
- Provide access to good quality highly rated debt;
- Diversification to multiple asset classes to spread out risk;
- Securitized debt can give access to exposures to various asset backed receivables like mortgage loans, auto loans, commercial vehicle loans etc which may not be directly available.

Hence, investing in good quality rated securitized debt would fit the risk profile of the Schemes / Plans, as it can give high yield and capital appreciation. The twin concerns for securitized debt (single loan / asset pool PTCs) would be credit and liquidity risks. For consideration of investment, the securitized debt would be of high rating (at the time of investment) and of maturity within the risk limits framed for the scheme.

#### **b) Policy relating to originators based on nature of originator, track record, NPA's, losses in earlier securitized debt, etc**

Credit quality of an originator will be evaluated on number of parameters. The focus of the analysis encompasses significant credit events in terms of default risk as well as variation in credit quality over time. The parameters evaluated would include (but not be limited to):

- Track record of historical Pass Through Certificates issued by Originator;
- Willingness to pay, through credit enhancement facilities and ability to pay;
- Business Risk Assessment including Economic Setting as well as Industry Analysis in terms of the competitive dynamics of the market in which the company / issuer operates;
- Originator reputation and quality of management;
- Detailed Financial Analysis of the issuer and rating of issuer; and

#### **c) Risk mitigation strategies for investments with each kind of originator**

Apart from analysis of asset pool characteristics, an analysis on the strength of the originator would be carried out. This analysis would be in accordance with the internal credit approval process which follows a multi-pronged approach on analysis and approval of any credit. A combination of qualitative and quantitative factors would be considered for assessment and a credit score would be arrived on the same basis. Additionally for securitized debt, factors such as size, reach, loan pool concentrations, historical collection efficiency metrics and track record would also be considered. For investment by the Scheme, internal risk limits on allowable exposure to asset backed securities would be put. Additionally, there would be exposure limits based on asset pools (such as housing, automobile, two wheelers, personal loans) which would negate concentration risk and overexposure of a particular asset class.

#### **d) The level of diversification with respect to the underlying assets, and risk mitigation measures for less diversified investments**

For each originator's pass through certificates under consideration, risk measures such as asset type, pool structure, historical default rates, credit enhancements, average loan ticket

size, geographical concentrations, collection efficiencies, pool seasoning and rating is considered. Analysis would focus on three areas:

i. Analysis of underlying collateral:

Fixed / floating rate pricing, special pricing structures such as teaser rates, if any, provisos for lender to change rates;

Geographic / demographic diversification of assets;

Portfolio Seasoning;

Specific Default - Recovery drivers for each asset class.

ii. Analysis of ABS structure:

Senior / subordinate tranches structure;

Over collateralization;

Cash Collateral and operation of the same in terms of separate account under control of SPV trustees;

Guarantee or Corporate Undertaking.

iii. Analysis of entities involved;

Servicer;

Originator;

Guarantor.

**e) Minimum retention period of the debt by originator prior to securitization**

Though no minimum retention period is specified as such, pool seasoning, credit enhancements like cash collateral etc. and extant interest of the originator would be analyzed so that originator bears adequate extent of pool risk and for estimating pool quality.

**f) Minimum retention percentage by originator of debts to be securitized**

No minimum retention percentage is specified. Retention percentages which form as support tranche held by the originator is given importance while analyzing the strength of the security and securitized structure.

**g) The mechanism to tackle conflict of interest when the mutual fund invests in securitized debt of an originator and the originator in turn makes investments in that particular scheme of the fund**

As and when such investments are made, mechanism would be put in place cause review of transactions and take necessary steps to avoid conflict, or to rectify it.

**h) In general the resources and mechanism of individual risk assessment with the AMC for monitoring investment in securitized debt**

The AMC has a credit committee in place, which assesses credits. The risk team monitors the credit exposures of approved issuers. The AMC / Trustee may review and modify the above provisions from time to time as deemed fit subject to regulations.

## **E. WHAT ARE THE INVESTMENT STRATEGIES?**

### **Investment Approach and Risk Control**

The aim of the fund is to generate long-term capital growth and generate income by investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

The Scheme may invest in units of REITs and InvITs for diversification and subject to necessary stipulations by SEBI from time to time. The Scheme may also invest in foreign securities which may offer new investment and portfolio diversification opportunities.

The exact allocation in various asset classes and schemes would be decided based on the fund manager's outlook on prevalent market conditions and changing business environment, subject to minimum

investment of 10% in each asset class as specified in the asset allocation pattern. A combination of factors such as market valuations, yield gap, commodity prices & momentum of the asset class has the potential to create a more effective asset allocation strategy between equity, debt, & Gold/ Silver ETFs. Therefore, the Fund Manager may consider above mentioned factors to decide on the level of allocation between the asset classes.

A top down and bottom up approach will be used to invest in equity and equity related instruments. The fund manager in selecting scrips will focus on fundamentals of the business, industry structure & relative business strength amongst peers, quality of the management, sensitivity to economic factors, financial strength of the company and the key earnings drivers. Valuation methods such as relative valuation, fundamental valuation, etc. will also be used for identifying the investment opportunities.

As per the asset allocation pattern indicated above, for investment in debt securities and money market instruments, the Fund may invest in various debt securities issued by corporates and / or state and central government. Such government securities may include securities which are supported by the ability to borrow from the treasury or supported only by the sovereign guarantee or of the state government or supported by GOI / state government in some other way. With the aim of controlling risks, rigorous in depth credit evaluation of the instruments proposed to be invested in will be carried out by the Investment Team of the AMC. The credit evaluation includes a study of the operating environment of the company, the past track record as well as the future prospects of the issuer, the short as well as long-term financial health of the issuer. The AMC will also be guided by the ratings of rating agencies such as CRISIL, CARE and ICRA or any other rating agency as approved by the regulators.

The scheme may use Derivatives traded on recognized stock exchanges for hedging, as well as portfolio rebalancing. For more details on derivatives, please refer to the Section on "Where will the Scheme Invest?".

The Fund Manager may evaluate various factors including demand supply aspects, geopolitical factors, interest rates, etc. while deciding allocation towards Gold / Silver ETFs. The Fund Manager may choose Gold / Silver ETF(s) for investment on the basis of factors such as secondary market liquidity, expense ratio, tracking error, AUM, creation unit size, etc.

In addition, the Investment Team of the AMC will study the macro economic conditions, including the political, economic environment and factors affecting liquidity and interest rates. The AMC may use this analysis to position the portfolio appropriately.

The Scheme may invest in other Scheme(s) managed by the AMC or in the schemes of any other mutual fund not exceeding 5% of net assets of the Scheme, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing Regulations. As per the Regulations, no investment management fees will be charged for such investments.

Since investing requires disciplined risk management, the AMC would incorporate adequate safeguards for controlling risks in the portfolio construction process. Risk will also be reduced through adequate diversification of the portfolio. Diversification may be achieved by spreading the investments over a range of industries / sectors.

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.

The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments.

## Position of Debt Markets in India

The major players in the Indian debt markets today are banks, financial institutions, insurance companies and mutual funds. The instruments in the market can be broadly categorised as those issued by corporates, banks, financial institutions and those issued by state / central governments. The risks associated with any investment are - credit risk, interest rate risk and liquidity risk. While corporate papers carry credit risk due to changing business conditions, government securities are perceived to have zero credit risk. Interest rate risk is present in all debt securities and depends on a variety of macroeconomic factors. The liquidity risk in the corporate securities market is higher as compared to that in case of government securities. Liquidity in the corporate debt market has been improving due to the entry of more players and due to various measures taken by the regulators in this direction over a period of time. SEBI's directive of a compulsory rating by a rating agency for any public issuance over 18 months, dematerialisation, entry of private insurance companies, listing of debt securities and growth of fixed income mutual funds have enhanced liquidity in the corporate debt market. The setting up of clearing corporations, real time gross settlement and electronic clearing system for government securities have considerably enhanced the depth and width of the Indian debt markets and bringing it at par with developed markets.

The following table attempts to give a broad overview of the available instruments in the financial markets and their risk - return profile. The data is based on the market conditions as on the date of the Offer Document and may vary substantially depending upon the factors and forces affecting the securities market including the fluctuations in the interest rates.

**Indicative Yields updated numbers as on January 09, 2024, we need this data for HSBC Multi Asset Fund SID.**

Issuer	Instrument	Maturity	Yields in %	Liquidity
GOI	Treasury Bill	91 days	6.90-6.93	Medium to High
GOI	Treasury Bill	364 days	7.10-7.12	Medium to High
GOI	Short Dated	1 – 3 Yrs	7.05-7.10	Medium
GOI	Medium Dated	3 – 5 Yrs	7.05-7.15	Medium to High
GOI	Medium Dated	5 – 10 Yrs	7.5-7.25	High
GOI	Long Dated	10 – 15Yrs	7.15-7.40	High
GOI	Long Dated	>15Yrs	7.35-7.45	Low to Medium
GOI	Reverse Repo / TREPS	1 – 14 days	6.70-6.90	High
Corporate Debt	Taxable Bonds (AAA)	364 days	7.60-8.85	Low to Medium
Corporate Debt	Taxable Bonds (AAA)	1 – 3 Yrs	7.60-8.40	Medium
Corporate Debt	Taxable Bonds (AAA)	3 – 5 Yrs	7.60-8.20	Medium
Corporate Debt	Taxable Bonds (AAA)	5 – 10 Yrs	7.60-8.30	Medium
Corporate Debt	CPs (A1+)	3 months	7.85-8.70	Low to Medium
Corporate Debt	CPs (A1+)	1 Year	8.30-8.90	Low to medium

## Strategies for fixed income derivatives

1. Bond - Swap: Under this strategy, the fund manager pays fixed rate on Overnight Indexed Swap (OIS) against an underlying bond of a similar or greater tenor and receives Mumbai Inter-

Bank Offer Rate (MIBOR). This is essentially done for hedging interest rate risk or for rebalancing portfolio allocation to fixed and floating rate bonds. Effectively, through this trade the fund manager is able to convert a fixed rate bond into a floating rate MIBOR linked instrument. The trade has exposure to 'basis movement' - the relative movement of bond versus OIS.

2. Receive OIS: Here the fund manager receives fixed rate on OIS against either cash or a floating rate bond of a similar or greater tenor, and pays MIBOR. The objective is to rebalance portfolio in favor of fixed rate exposure.
3. Curve Steepener: This strategy aims to capture a potential steepening of the curve between any 2 tenors: say, 1 and 5 years. For example, the fund manager can receive fixed rate on 1 year OIS (against cash or floating rate bond) and pay fixed rate on 5 year OIS (against fixed rate bond). However, apart from the relative spread between the 5 year and 1 year OIS, the trade is also exposed to relative duration for the 2 tenors as well as basis risk on the bond-swap (in this example, the 5 year bond-swap).
4. Curve Flattener: This strategy aims to capture a potential flattening of the curve between any 2 tenors: say 1 and 5 years. For example, the fund manager can pay fixed rate on 1 year OIS (against fixed rate bond) and receive fixed rate 5 year OIS (against cash or floating rate bond). Like mentioned above, the trade is also exposed to duration as well as basis risk.

## Procedure followed for Investment Decisions

The Fund Manager of the Scheme is responsible for making buy / sell decisions in respect of the securities in the Scheme's portfolio and to develop a well diversified portfolio that minimizes liquidity and credit risk. The investment decisions are made keeping in view the market conditions and all relevant aspects.

The Board of the AMC has constituted an Investment Management Committee that meets at periodic intervals. The Investment Management Committee, at its meetings, reviews investments, including investments in unrated debt instruments. The approval of unrated debt instruments is based on parameters laid down by the Board of the AMC and the Trustees. The details of such investments are communicated by the AMC to the Trustees in their periodical reports along with a disclosure regarding how the parameters have been complied with. Such reporting's shall be in the manner prescribed by SEBI from time to time. The Committee also reviews the performance of the Scheme and general market outlook and formulates the broad investment strategy at their meetings.

It is the responsibility of the AMC to ensure that the investments are made as per the internal / Regulatory guidelines, Scheme investment objectives and in the best interest of the Unitholders of the Scheme. The Fund may follow internal guidelines as approved by the Board of the AMC and the Trustees from time to time.

The Chief Investment Officer and Fund Manager present to the Board of the AMC and the Trustees periodically review the performance of the Schemes. The performance of the Scheme will be reviewed by the Boards with reference to their appropriate benchmark(s).

However, the Schemes' performance may not be strictly comparable with the performance of its Index due to the inherent differences in the construction of the portfolios. The Boards may review the benchmark selection process from time to time, and make suitable changes as to use of the benchmark, or related to composition of the benchmark, whenever it deems necessary.

The Chief Investment Officer and Fund Manager will bring to the notice of the AMC Board, specific factors if any, which are impacting the performance of the Scheme. The Board on consideration of all relevant factors may, if necessary, give appropriate directions to the AMC. Similarly, the performance of the Scheme will be submitted to the Trustees. The details on the Schemes' performance vis-à-vis the benchmark returns will be explained to the Trustees.

The AMC will keep a record of all investment decisions.

## Investments by the AMC in the Scheme

The AMC may invest in the Scheme at any time during the continuous offer period subject to the SEBI Regulations & circulars issued by SEBI and to the extent permitted by its Board of Directors from time to time. As per the existing SEBI Regulations, the AMC will not charge investment management and advisory fee on the investment made by it in the Scheme.

In accordance with Regulation 25(16A) of SEBI (Mutual Funds) (Second Amendment) Regulations, 2021, the AMC shall invest such amounts in such schemes of the mutual fund, based on the risks associated with the schemes, as may be specified by the SEBI from time to time.

### Segregated Portfolio

In order to ensure fair treatment to all investors in case of a Credit Event and to deal with liquidity risk, para 4.4 of SEBI Master Circular on Mutual Funds dated May 19, 2023 has allowed creation of Segregated Portfolio of debt and money market instruments by mutual fund schemes.

#### The salient features of creation of Segregated Portfolio is given as below: Creation of Segregated Portfolio

Creation of Segregated Portfolio shall be subject to guidelines specified by SEBI from time to time and includes the following:

- 1) Segregated Portfolio may be created, in case of a Credit Event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:
  - a. Downgrade of a debt or money market instrument to 'below investment grade', or
  - b. Subsequent downgrades of the said instruments from 'below investment grade', or
  - c. Similar such downgrades of a loan rating.
- 2) Trigger of a pre-specified event for loss absorption in case of debt instruments with special features such as subordination to equity (absorption of losses before equity capital) and/or conversion to equity upon trigger of a pre-specified event for loss absorption.

In case of debt instruments with special features mentioned above, if the instrument is to be written off or converted to equity pursuant to any proposal, the date of said proposal may be treated as the Trigger Date. However, if the said instruments are written off or converted to equity without proposal, the date of write off or conversion of debt instrument to equity may be treated as the Trigger Date.
- 3) In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of Segregated Portfolio shall be based on issuer level Credit Events as mentioned above and implemented at the ISIN level.
- 4) In case of unrated debt or money market instruments of an issuer that does not have any outstanding rated debt or money market instruments, actual default of either the interest or principal amount by the issuer of such instruments shall be considered as a Credit Event for creation of Segregated Portfolio.
- 5) Creation of Segregated Portfolio is optional and is at the discretion of the AMC.

#### Definitions

- 1) The term 'Segregated Portfolio' means a portfolio, comprising of debt or money market instrument affected by a Credit Event that has been segregated in a mutual fund scheme.
- 2) The term 'Main Portfolio' means the scheme portfolio excluding the Segregated Portfolio.
- 3) The term 'Total Portfolio' means the scheme portfolio including the securities affected by the Credit Event.

#### Process for Creation of Segregated Portfolio

- 1) On the date of Credit Event, the AMC shall decide on creation

of Segregated Portfolio. Once the AMC decides to Segregated Portfolio, it shall :

- a. seek approval of Board of Trustees prior to creation of the Segregated Portfolio;
  - b. immediately issue a press release disclosing its intention to segregate such debt and money market instrument and its impact on the investors. The Fund will also disclose that the segregation shall be subject to the Trustee approval. Additionally, the said press release will be prominently disclosed on the website of the AMC; and
  - c. ensure that till the time the Trustee approval is received, which in no case shall exceed 1 business day from the day of Credit Event, the subscription and redemption in the scheme will be suspended for processing with respect to creation of units and payment on redemptions.
- 2) Once the Trustee approval is received by the AMC:
    - a. Segregated Portfolio will be effective from the day of Credit Event
    - b. The AMC shall issue a press release immediately with all relevant information pertaining to the Segregated Portfolio. The said information will also be submitted to SEBI.
    - c. An e-mail or SMS will be sent to all unit holders of the concerned scheme.
    - d. The Net Asset Value (NAV) of both Segregated and Main Portfolios will be disclosed from the day of the Credit Event.
    - e. All existing investors in the scheme as on the day of the Credit Event will be allotted equal number of units in the Segregated Portfolio as held in the Main Portfolio.
    - f. No redemption and subscription will be allowed in the Segregated Portfolio. However, upon recovery of any money from Segregated Portfolio, it will be immediately distributed to the investors in proportion to their holding in the Segregated Portfolio.
    - g. The AMC shall enable listing of units of Segregated Portfolio on the recognized stock exchange within 10 working days of creation of Segregated Portfolio and also enable transfer of such units on receipt of valid transfer requests.
  - 3) If the Trustee do not approve the proposal to segregate portfolio, the AMC will issue a press release immediately informing investors of the same.

#### Processing of Subscription and Redemption Proceeds

- 1) All subscription and redemption requests for which NAV of the day of Credit Event or subsequent day is applicable will be processed as under:
  - i. Upon trustees' approval to create a Segregated Portfolio -
    - Investors redeeming their units will get redemption proceeds based on the NAV of Main Portfolio and will continue to hold the units of Segregated Portfolio.
    - Investors subscribing to the scheme will be allotted units only in the Main Portfolio based on its NAV.
  - ii. In case trustees do not approve the proposal of Segregated Portfolio, subscription and redemption applications will be processed based on the NAV of Total Portfolio.

#### Disclosure:

The AMC shall make necessary disclosures as mandated by SEBI, in statement of account, monthly/ half yearly portfolio statements, KIM, SID, Scheme Advertisements, Scheme Performance data, AMC's website and at other places as may be specified.

The information regarding number of Segregated Portfolio(s) created in a scheme shall appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-Application Form, advertisement, AMC and AMFI websites, etc.

The NAV of the Segregated Portfolio shall be declared on daily basis.

Further, the investors of the Segregated Portfolio shall be duly informed of the recovery proceedings of the investments of the Segregated Portfolio. Status update may be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities.

### Total Expense Ratio (TER) for the Segregated Portfolio

- 1) The AMC will not charge investment and advisory fees on the Segregated Portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in Segregated Portfolio.
- 2) The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the Main Portfolio (in % terms) during the period for which the Segregated Portfolio was in existence.
- 3) The legal charges related to recovery of the investments of the Segregated Portfolio may be charged to the Segregated Portfolio in proportion to the amount of recovery. However, the same shall be within the maximum TER limit as applicable to the Main Portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the AMC.
- 4) The costs related to Segregated Portfolio shall in no case be charged to the Main Portfolio.

### Illustration of Segregated Portfolio

Below mentioned is sample Portfolio of a scheme, net assets of which amount to Rs. 558.41 lacs.

#### (1) Portfolio Before Downgrade Event (As on 29 June, 2019)

Security	Rating	Type of Security	Quantity	Price Per Unit (Rs.)	Market Value (Rs. in lacs)	% of Net Assets
7.14% A Finance Corporation Ltd	AAA	NCD	50000	102.625	51.31245	9.19%
7.70 % B Industries Ltd	AAA	NCD	60000	98.3588	59.01528	10.57%
8.29% C Services Ltd	AA+	NCD	70000	98.9125	69.23875	12.40%
D Ltd	A1+	CD	30000	98.199	29.4597	5.28%
7.37% GoI Sep 16 2019	Sovereign	Gilt	50000	98.7623	49.38115	8.84%
Cash / Cash Equivalents	-	-	-	-	300.00142	53.72%
		<b>Net Assets</b>			<b>558.41</b>	
		<b>No. of units (in Lacs)</b>			<b>10</b>	
		<b>NAV (Rs. per unit)</b>			<b>55.8409</b>	

#### (2) Rating downgrade of security

Downgrade event date	30-Jun-2019
Downgraded security	8.29% C Services Ltd from AA+ to B
Valuation marked down by	25%*

\*Mark down in valuation of downgraded securities shall be based on the haircut matrices specified by Association of Mutual Funds in India (AMFI) which takes into account downgraded rating, sector to which security belongs and secured/unsecured nature of the security.

#### Portfolio after Downgrade (As on 30 June, 2019)

Security	Rating	Type of Security	Quantity	Price Per Unit (Rs.)	Market Value (Rs. in lacs)	% of Net Assets
7.14% A Finance Corporation Ltd	AAA	NCD	50000	102.625	51.31245	9.47%
7.70 % B Industries Ltd	AAA	NCD	60000	98.3588	59.01528	10.90%
8.29% C Services Ltd*	B*	NCD	70000	75	52.5	9.69%
D Ltd	A1+	CD	30000	98.199	29.4597	5.44%
7.37% GoI Sep 16 2019	Sovereign	Gilt	50000	98.7623	49.38115	9.12%
Cash / Cash Equivalents					300.00142	55.38%
		<b>Net Assets</b>			<b>541.67</b>	
		<b>No. of units (in Lacs)</b>			<b>10</b>	
		<b>NAV (Rs. per unit)</b>			<b>54.1670</b>	

\* Mark down of 25% is on the face value (Rs. 100/-) of security on the date of Credit Event. Before marked down, the security was valued at Rs.98.9125 per unit On 30 June, 2019 which is the date of Credit Event, NCD of C Services Ltd will be segregated into a separate portfolio

### Monitoring by Trustees

The Trustee will monitor the compliance of the SEBI Circular in respect of creation of Segregated Portfolio and disclosure in this respect shall be made in Half-Yearly Trustee reports filed with SEBI.

In order to avoid mis-use of Segregated Portfolio, Trustees shall have a mechanism in place to negatively impact the performance incentives of fund managers, Chief Investment Officers, etc. involved in the investment process of securities under the Segregated Portfolio, mirroring the existing mechanism for performance incentives of the AMC, including transfer of such impacted amount to the Segregated Portfolio.

### Risks associated with Segregated Portfolio

**Liquidity risk** - Segregated Portfolio is created to separate debt and money market instruments affected by a Credit Event from the Main Portfolio of the Scheme. The Fund will not permit redemption of the Segregated Portfolio units, but the units will be listed on a recognized stock exchange. The Fund is not assuring any liquidity of such units on the stock exchange. Further, trading price of units on the stock exchange may be significantly lower than the prevailing NAV. Investors can continue to transact (subscribe/redeem) from the Main Portfolio.

**Credit risk** - While the AMC will put in sincere efforts to recover the securities in the Segregated Portfolio and distribute the same to unit holders, it is likely that such securities may not realise any value leading to losses to investors.

**Main Portfolio (As on 30 June, 2019)**

Security	Rating	Type of Security	Quantity	Price Per Unit (Rs.)	Market Value (Rs. in lacs)	% of Net Assets
7.14% A Finance Corporation Ltd	AAA	NCD	50000	102.625	51.31245	10.49%
7.70 % B Industries Ltd	AAA	NCD	60000	98.3588	59.01528	12.06%
D Ltd	A1+	CD	30000	98.199	29.4597	6.02%
7.37% GoI Sep 16 2019	Sovereign	Gilt	50000	98.7623	49.38115	10.09%
Cash / Cash Equivalents					300.00142	61.33%
		<b>Net Assets</b>			<b>489.17</b>	
		<b>No. of units (in Lacs)</b>			<b>10</b>	
		<b>NAV (Rs. per unit)</b>			<b>48.9170</b>	

**Segregated Portfolio (As on 30 June, 2019)**

Security	Rating	Type of Security	Quantity	Price Per Unit (Rs.)	Market Value (Rs. in lacs)	% of Net Assets
8.29% C Services Ltd*	B*	NCD	70000	75	52.5	100.00%
		<b>Net Assets</b>			<b>52.50</b>	
		<b>No. of units (in Lacs)</b>			<b>10</b>	
		<b>NAV (Rs. per unit)</b>			<b>5.2500</b>	

**(3) Holding after creation of Segregated Portfolio**

Particulars	Segregated Portfolio	Main Portfolio	Total Value (Rs. in lacs)
No. of units (in Lacs)	10	10	
NAV (Rs. per unit)	5.2500	48.9170	
<b>Total value</b>	<b>52.50</b>	<b>489.17</b>	<b>541.67</b>

**Investments in Derivatives**

The Schemes, if permitted as per respective investment strategies, may invest in various derivatives instruments including futures (index and stock), options (index and stock) and forward contracts which are available for investment in Indian markets from time to time and which are permissible as per the applicable Regulations. Investment in such instruments will be made in accordance with the investment objective and the strategy of the Scheme to protect the value of the portfolio and to enhance returns. The investments shall also be subject to the internal limits as may be laid down from time to time and such limits and restrictions as may be prescribed by the Regulations or any other regulatory body. For more details, please refer to the section on “Where will the Scheme Invest?”.

**Securities Lending by the Mutual Fund**

Subject to the Regulations and the applicable guidelines, the Scheme and the Plan(s) there under may engage in securities / stock lending. For more details, please refer to the Section on “Where will the Scheme Invest?”.

Various risks associated with securities lending, such as counter-party risks, liquidity and other market risks, are described in paragraph “Risk associated with short selling and securities lending”.

**F. COMPARISON WITH OTHER EQUITY SCHEMES OF HSBC MUTUAL FUND**

Name of Scheme	Investment Objective	Investment Strategy	Product Differentiation	Number of Folios as on January 09, 2024	AUM as on January 09, 2024 (Rs. in crores)
<b>HSBC Flexi Cap Fund</b> Flexi Cap Fund – An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks	To seek long term capital growth through investments made dynamically across market capitalization (i.e. Large, Mid, and Small Caps). The investment could be in any one, two or all three types of market capitalization. The Scheme aims to predominantly invest in equity and equity related securities. However, in line with the asset allocation pattern of the Scheme, it could move its assets between equity and fixed income securities depending on its view on these markets. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.	The aim of the Scheme is to seek aggressive growth and deliver above benchmark returns by providing long-term capital growth from a dynamically managed portfolio across small, mid and large cap stocks.  The investment could be in anyone, two or all three types of market capitalization. The Scheme aims to be predominantly invested in equity and equity related securities. However, it could move its assets between equity and fixed income securities depending on its view on these markets.	This Scheme seeks to invest primarily into Indian equity stocks with no market capitalization or other biases.	132102	3,993.13

Name of Scheme	Investment Objective	Investment Strategy	Product Differentiation	Number of Folios as on January 09, 2024	AUM as on January 09, 2024 (Rs. in crores)
<b>HSBC Infrastructure Fund</b> An open ended equity scheme following Infrastructure theme	To generate long term capital appreciation from an actively managed portfolio of equity and equity related securities by investing predominantly in equity and equity related securities of companies engaged in or expected to benefit from growth and development of Infrastructure in India. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.	The aim of the Scheme is to deliver above benchmark returns by providing long-term capital growth from an actively managed portfolio, primarily comprising of stocks of companies engaged in or expected to benefit from growth and development of Infrastructure in India.	The scheme seeks to invest in the sectors that are beneficiaries of the infrastructure growth and economic reforms expected in the country in the coming years.	103081	2,130.07
<b>HSBC Large Cap Fund</b> Large Cap Fund – An open ended equity scheme predominantly investing in large cap stocks	To generate long-term capital growth from an actively managed portfolio of equity and equity related securities of predominantly large cap companies. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.	The aim of the Scheme is to deliver above-benchmark returns by providing long-term capital growth from an actively managed portfolio, mainly comprising companies registered in and / or listed on a regulated market of India. The Scheme will invest at least 80% in large cap companies and may also invest in equity and equity related instruments of companies other than large cap companies.	This Scheme seeks to invest primarily into large cap Indian equity stocks. The large cap companies will comprise of companies from 1st to 100th companies in terms of full market capitalization.	79976	1,684.90
<b>HSBC Focused Fund</b> Focused Fund – An open ended equity scheme investing in maximum 30 stocks across market caps (i.e. Multi-Cap)	To seek long term capital growth through investments in a concentrated portfolio of equity & equity related instruments of up to 30 companies across market capitalization. However, there is no assurance that the investment objective of the Scheme will be achieved.	The aim of Scheme is to seek growth and deliver above benchmark returns by providing long-term capital growth from an actively managed portfolio comprising of up to 30 companies across market capitalization. The Scheme aims to predominantly invest in equity and equity related securities. The Scheme will endeavor to achieve this by maintaining a minimum of 65% allocation to equity and equity related securities. Investment could also be made towards fixed income securities including money market instruments.	The Scheme will maintain a concentrated portfolio of equity & equity related instruments of upto 30 companies differentiating itself from rest of the equity schemes of the Fund.	49139	1,554.32
<b>HSBC Tax Saver Equity Fund @</b> An open ended Equity Linked Saving Scheme with a statutory lock-in of 3 years and tax benefit.	To provide long term capital appreciation by investing in a diversified portfolio of equity & equity related instruments of companies across various sectors and industries, with no capitalization bias. The Fund may also invest in fixed income securities. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.	The aim of the Scheme is to provide long-term capital appreciation from an actively managed portfolio, primarily comprising of a mix of small, mid and large cap stocks. Income is not a primary consideration in the investment policies of the Scheme. The Scheme aims to be predominantly invested in equity and equity related securities. The Fund may also invest in fixed income securities.	This is the only scheme launched as an Equity Linked Savings Scheme, entitled to deductions of amount invested in units of the scheme, subject to a maximum of Rs. 1,50,000, under section 80C of the Income Tax Act, 1961.	23462	217.41
<b>HSBC ELSS Tax saver Fund</b> An open ended Equity Linked Saving Scheme with a statutory lock-in of 3 years and tax benefit.	The investment objective of the Scheme is to generate long-term capital growth from a diversified portfolio of predominantly equity and equity-related securities. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns. For defensive considerations and / or managing liquidity, the Scheme may also invest in money market instruments.	The investment approach is bottom-up stock picking. The Scheme seeks to add the best opportunities that the market presents, without any sector / cap bias.	The Scheme is an equity linked savings Scheme as per the Equity Linked Savings Scheme, 2005 notified by Ministry of Finance (Department of Economic Affairs). The Scheme is a diversified equity Scheme with a mandatory 3-year lock-in period. The Scheme predominantly invests in the Indian markets without any sector or market cap bias.	275851	3,580.09



Name of Scheme	Investment Objective	Investment Strategy	Product Differentiation	Number of Folios as on January 09, 2024	AUM as on January 09, 2024 (Rs. in crores)
<p><b>HSBC Large and Mid Cap Fund</b></p> <p>Large &amp; Mid Cap Fund – An open ended equity scheme investing in both large cap and mid cap stocks.</p>	<p>To seek long term capital growth through investments in both large cap and mid cap stocks. However, there is no assurance that the investment objective of the Scheme will be achieved.</p>	<p>The aim of the Scheme is to seek growth and deliver above benchmark returns by providing long-term capital growth from an actively managed portfolio, comprising primarily large cap and mid cap stocks. The Scheme aims to be predominantly invested in equity and equity related securities.</p> <p>The Scheme will endeavor to achieve this by maintaining a minimum of 80% allocation to equity and equity related securities out of which allocation of at least 35% each will be towards large cap stocks and mid cap stocks. The Scheme will allocate the balance portion primarily towards all cap equity. Investment could also be made towards fixed income securities including money market instruments.</p>	<p>It seeks to invest primarily into Large &amp; Mid cap stocks which makes the Scheme different from other equity Schemes of the Fund.</p>	<p>92811</p>	<p>2,612.40</p>
<p><b>HSBC Aggressive Hybrid Fund</b></p> <p>Aggressive Hybrid Fund – An open ended hybrid scheme investing predominantly in equity and equity related instruments</p>	<p>To seek long term capital growth and income through investments in equity and equity related securities and fixed income instruments. However, there is no assurance that the investment objective of the Scheme will be achieved.</p>	<p>The aim of the Scheme is to seek a balance between long term growth and stability from an actively managed portfolio of equity and equity related securities and fixed income instruments. The Scheme will endeavour to achieve this by maintaining a minimum of 65% allocation to equity and equity related securities and at least 20% allocation to fixed income securities including money market instruments.</p>	<p>It seeks to invest in equity and equity related securities and fixed income instruments.</p>	<p>112924</p>	<p>5,094.45</p>
<p><b>HSBC Mid Cap Fund</b></p> <p>Mid Cap Fund – An open ended equity scheme predominantly investing in mid cap stocks</p>	<p>To seek to generate long-term capital growth from an actively managed portfolio of equity and equity related securities of predominantly mid cap companies. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.</p>	<p>The aim of Scheme is to seek growth and deliver above benchmark returns by providing long-term capital growth from an actively managed portfolio comprising of predominantly midcap companies. The Scheme aims to predominantly invest in equity and equity related securities.</p> <p>The Scheme will endeavor to achieve this by maintaining a minimum of 65% allocation to equity and equity related securities of midcap companies. Investment could also be made towards fixed income securities including money market instruments.</p>	<p>It seeks to invest primarily into Mid cap stocks which makes the Scheme different from other equity Schemes of the Fund. The mid cap companies will comprise of companies from 101st to 250th companies in terms of full market capitalization.</p>	<p>333835</p>	<p>9,265.15</p>
<p><b>HSBC Value Fund</b></p> <p>An open ended equity scheme following a value investment strategy.</p>	<p>The investment objective of the Scheme is to generate long-term capital appreciation from a diversified portfolio of predominantly equity and equity related securities, in the Indian markets with higher focus on undervalued securities. The Scheme could also additionally invest in Foreign Securities in international markets.</p>	<p>The Fund Managers would aim to identify undervalued stocks having the potential to deliver long term superior risk-adjusted returns.</p> <p>Undervalued stocks would include stocks which the Fund Managers believe are trading at less than their assessed values.</p>	<p>The Scheme is a diversified, open-ended, value style bias equity fund that invests largely in undervalued companies across sectors and market caps. Such companies include companies whose shares, as per fund managers' analysis, are trading at less than their assessed values.</p>	<p>287750</p>	<p>10,815.93</p>

Name of Scheme	Investment Objective	Investment Strategy	Product Differentiation	Number of Folios as on January 09, 2024	AUM as on January 09, 2024 (Rs. in crores)
<b>HSBC Business Cycles Fund</b> An open ended equity scheme following business cycles based investing theme	The investment objective of the Scheme is to seek to generate long-term capital appreciation from a portfolio of predominantly equity and equity related securities, including equity derivatives, in the Indian market with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles in the economy. The Scheme could also additionally invest in Foreign Securities. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.	The Scheme being a thematic equity fund which will invest predominantly in equity and equity related securities with focus on riding business cycles through dynamic allocation between cyclical and defensive sectors and stocks at different stages of business cycles in the economy.	The Scheme is an open-ended equity scheme following business cycles based investing theme. The Scheme Invests predominantly in equity and equity-related securities, including equity derivatives in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles in the economy.	27518	709.66
<b>HSBC Equity Savings Fund</b> An open ended scheme investing in equity, arbitrage and debt	The investment objective of the Scheme is to generate regular income by predominantly investing in arbitrage opportunities in the cash and derivatives segments of the equity markets and debt and money market instruments and to generate long-term capital appreciation through unhedged exposure to equity and equity related instruments. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.	The fund manager will decide asset allocation between equity and debt depending on prevailing market and economic conditions. Among the metrics considered for deciding the debt-equity mix at any point of time will be the interest rate cycle, equity valuations (P/E, P/BV, Dividend Yield, Earnings yield, market cap to GDP ratio etc), medium to long term outlook of the asset class, etc.	The Scheme looks to invest in a mix of arbitrage opportunities in cash and derivative markets, debt and corporate bonds, along with un-hedged equity exposure. The Scheme aims to generate long term appreciation of capital which is commensurate with the overall level of risk undertaken which is expected to be lower than a normal equity scheme.	6190	214.40
<b>HSBC Nifty 50 Index Fund</b> An open ended Equity Scheme tracking NIFTY 50 Index.	The scheme has adopted a passive investment strategy. The scheme invests in stocks comprising the Nifty 50 index in the same proportion as in the index with the objective of achieving returns equivalent to the Total Returns Index of Nifty 50 index by minimizing the performance difference between the benchmark index and the scheme. The Total Returns Index is an index that reflects the returns on the index from index gain/ loss plus dividend payments by the constituent stocks.	The Scheme invest predominantly in stocks constituting the underlying index in the same proportion as in the Index and endeavor to track the benchmark index. A very small portion (0-5% of the Net Assets) of the fund may be kept liquid to meet the liquidity and expense requirements.	The Scheme shall predominantly invest in Stock comprising the Nifty 50 including derivative, debt, money market instruments, cash and cash equivalents.	10548	226.30
<b>HSBC Nifty Next 50 Index Fund</b> An open-ended Equity Scheme tracking Nifty Next 50 Index	The scheme has adopted a passive investment strategy. The scheme invests in stocks comprising the Nifty Next 50 index in the same proportion as in the index with the objective of achieving returns equivalent to the Total Returns Index of Nifty Next 50 index by minimizing the performance difference between the benchmark index and the scheme. The Total Returns Index is an index that reflects the returns on the index from index gain/ loss plus dividend payments by the constituent stocks.	The Scheme invest predominantly in stocks constituting the underlying index in the same proportion as in the Index and endeavor to track the benchmark index. A very small portion (0-5% of the Net Assets) of the fund may be kept liquid to meet the liquidity and expense requirements.	The Scheme shall predominantly invest in Stock comprising the Nifty Next 50 including derivative, debt, money market instruments, cash and cash equivalents.	4862	83.19

Name of Scheme	Investment Objective	Investment Strategy	Product Differentiation	Number of Folios as on January 09, 2024	AUM as on January 09, 2024 (Rs. in crores)
<b>HSBC Balanced Advantage Fund</b> An open ended dynamic asset allocation fund	To seek long term capital growth and income through investments in equity and equity related securities and fixed income instruments. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.	The fund manager will decide asset allocation between equity and debt depending on prevailing market and economic conditions. Among the metrics considered for deciding the debt-equity mix at any point of time will be the interest rate cycle, equity valuations (P/E, P/BV, Dividend Yield, Earnings yield, market cap to GDP ratio etc.), medium to long term outlook of the asset class, etc. The objective of the equity strategy will be to build a portfolio of companies diversified across major industries, economic sectors and market capitalization that offer an acceptable risk reward balance. Investment in debt securities will be guided by credit quality, liquidity, interest rates and their outlook. The Scheme also proposes to take long term call on stocks which, in the opinion of the Fund Manager, could offer better return over a long period.	The scheme is an open ended with dynamic asset allocation and will have a diversified portfolio of equity and equity related securities including debt and money market instruments and arbitrage opportunities in the cash and derivatives segments of the equity markets.	32002	1,392.19
<b>HSBC Small Cap Fund</b> An open ended equity scheme predominantly investing in small cap stocks.	To generate long term capital growth from an actively managed portfolio of equity and equity related securities of predominantly small cap companies. However, it could move a portion of its assets towards fixed income securities if the fund manager becomes negative on the Indian equity markets. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.	The aim of the Scheme is to deliver above-benchmark returns by providing long-term capital growth from an actively managed portfolio, primarily comprising of small cap stocks. The Scheme aims to be predominantly invested in small cap equity and equity related securities and may also invest in equity and equity related securities of other than small cap companies. However, it could move a portion of its assets towards fixed income securities if the fund becomes cautious or negative on equity markets	It seeks to invest primarily into smallcap Indian equity stocks which makes the Scheme different from other equity Schemes of the Fund. The small cap companies will comprise of companies from 251st company onwards in terms of full market capitalization.	554570	13,349.66
<b>HSBC Multi Cap Fund</b> An open ended equity scheme investing across large cap, mid cap, small cap stocks.	The investment objective of the Fund is to generate long-term capital growth from an actively managed portfolio of equity and equity related securities across market capitalization. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.	The aim of the Scheme is to provide long-term capital growth from a dynamically managed portfolio across small, mid and large cap stocks. The market capitalization allocation of assets will be minimum 25% each in small, mid and large cap stocks as per SEBI guidelines at all points of time.	The fund will invest minimum 25% of AUM each in small, mid and large cap stocks	63351	2,291.97
<b>HSBC Consumption Fund</b> An open ended equity scheme following consumption theme.	The investment objective of the Fund is to generate long-term capital growth from an actively managed portfolio of equity and equity related securities of companies engaged in or expected to benefit from consumption and consumption related activities. However, there can be no assurance or guarantee that the investment objective of the scheme will be achieved.	The aim of the Scheme is to provide long-term capital growth from an actively managed portfolio of equity and equity related securities of companies engaged in or expected to benefit from consumption and consumption related activities. The Scheme intends to invest predominantly in Equities and Equity Related Securities of companies from the sectors/industry falling under consumption and consumption related activities.	The Scheme is an open-ended equity scheme following consumption based investing theme. The scheme seeks to invest in the sectors that are expected to benefit from Consumptions and consumption related activities.	26339	1,106.51

@ Subscriptions stopped with effect from close of business hours of November 25, 2022.

## G. FUNDAMENTAL ATTRIBUTES

The following are the fundamental attributes of the Scheme, in terms of Regulation 18 (15A) of the Regulations:

### (i) Type of scheme

An open ended scheme investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs

### (ii) Investment Objective

**Main Objective** – The aim of the fund is to generate long-term capital growth and generate income by investing in Equity & Equity Related instruments, Debt & Money Market Securities and Gold / Silver ETFs. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

**Investment pattern** – The tentative Equity / Debt & Money Market/Gold/ Silver ETFs portfolio break-up with minimum and maximum asset allocation, while retaining the option to alter the asset allocation for a short term period on defensive considerations. Refer Section II.C.

### (iii) Terms of Issue

- Liquidity provisions such as listing, repurchase, redemption. Aggregate fees and expenses charged to the scheme. Any safety net or guarantee provided. The Scheme does not provide any guaranteed or assured returns.

## Changes in Fundamental Attributes

In accordance with Regulation 18(15A) of the SEBI Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the

## I. WHO MANAGES THE SCHEME?

Ms. Cheenu Gupta (For Domestic equities), Mr. Dipan Parikh (For Gold / Silver ETFs), Mr. Mahesh Chhabria (For Fixed Income), Mr. Sonal Gupta (For foreign securities)

The details of the Fund Manager are:

Name of Fund Manager	Designation	Age (Years)	Qualifications	Years of Experience with description	Tenure of managing the scheme (in Years)
<b>Cheenu Gupta</b>	Senior Vice President and Fund Management – Equities	42	CFA Charter (USA), PGDBM (Finance) - SPJIMR, B.E. (I.T)	Over 17 years of experience <b>HSBC Asset Management (India) Private Limited</b> as SVP Fund Management Equities (Since November 26, 2022) <b>Prior Assignments:</b> <b>L&amp;T Investment Management Limited</b> as Fund Manager – Equity from July 01, 2021 to November 25, 2022. <b>Canara Robeco Asset Management Company Limited</b> as Equity - Fund Manager (March 2018 – June 2021) <b>Tata AIA Life Insurance Company Limited</b> as Equity Fund Manager (from August 2009 - February 2018)	NA
<b>Mahesh Chhabria</b>	VP Fund Management Fixed Income	37	Masters in Management Studies (M.M.S)	Over 12 years of experience <b>HSBC Asset Management (India) Private Limited</b> as VP Fund Management Fixed Income (Since November 26, 2022) <b>Prior Assignments:</b> <b>L&amp;T Investment Management Ltd</b> as Fixed Income – Fund Manager from November 25, 2021 to November 25, 2022.	NA

Scheme and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- A written communication about the proposed change is sent to each Unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The Unitholders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.
- Further, in accordance with the para 1.14.1.4 of SEBI Master Circular on Mutual Funds dated May 19, 2023, trustees shall take comments of the SEBI before bringing such change(s).

## H. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?

### Tier 1 Benchmark Index:

The performance of the Scheme will be benchmarked with S&P BSE 200 TRI (65%) + NIFTY Short Duration Debt Index (20%) + Domestic Price of Gold (10%)+Domestic Price of Silver (5%).

Subject to SEBI (MF) Regulations and other prevailing guidelines, if any, the Trustee may review the benchmark selection process from time to time, and make suitable changes as to use of the benchmark, or related to composition of the benchmark, whenever it seems necessary.

### Justification for Benchmark

The Scheme is being benchmarked against the composite Index mentioned above, since the same is in line with the investment objective of the Scheme (across all 3 asset classes) and is most suited for comparing performance of the Scheme. It will also enable the investors to arrive at a more informed judgement on scheme's performance.

Name of Fund Manager	Designation	Age (Years)	Qualifications	Years of Experience with description	Tenure of managing the scheme (in Years)
				<p><b>L&amp;T Investment Management Ltd</b> as Dealer in Fixed Income since June, 2015 till November 24, 2021</p> <p><b>Edelweiss Securities Ltd</b> as Fixed Income dealer from October 2013 - June 2015</p> <p><b>Derivium Traditions Pvt. Ltd.</b> as Fixed Income dealer from February 2013- October 2013</p> <p><b>L&amp;T Investment Management Ltd.</b> as Associate in Investment Operations from November 2012– February 2013.</p> <p><b>FIL Fund Management Pvt. Ltd.</b> as Associate in Investment Operations from August 2010 – November, 2012</p>	
<b>Mr. Sonal Gupta</b>	Head of Research – Equity	44	PGDM (IIM Bangalore), CFA (CFA Institute), Bachelors in Mechanical Engineering	<p>Over 16 years of experience.</p> <p><b>HSBC Asset Management (India) Private. Limited</b> as Head Research - Equity (Since November 26, 2022)</p> <p><i>Prior Assignments:</i></p> <p><b>L&amp;T Investment Management Limited</b> as Head of Research – Equity from June 01, 2021 to November 25, 2022.</p> <p><b>UBS Securities India Private Limited</b> as Lead Research Analyst – Equities from June 01, 2021 till May 28, 2021)</p>	NA
<b>Dipan S. Parikh</b>	Vice President – Equity Dealing	50	Bachelor of Commerce	<p>Over 26 years of experience</p> <p><b>HSBC Asset Management (India) Private. Limited</b> as VP Equity Dealing (Since 26th September 2006)</p> <p><i>Prior Assignments:</i></p> <p><b>Karvy Stock Broking Ltd</b> as Equity Dealer–from July 2001 to September 2006.</p> <p><b>First Global Stock Broking</b> as PMS Operation Manager (March 2001– June 2001)</p> <p><b>Kotak Securities</b> – PMS Operation Manager (February 1997– February 2001)</p>	NA

#### Other Schemes managed by the Fund Manager(s)

Name of the Scheme(s)	Fund Manager
HSBC Asia Pacific (Ex Japan) Dividend Yield Fund	Sonal Gupta (Overseas Investments)
HSBC Balanced Advantage Fund	Neelotpal Sahai (Equity), Mahesh Chhabria (Fixed Income), Gautam Bhupal (Equity), Praveen Ayathan (Arbitrage), Hitesh Gondhia (Arbitrage), Sonal Gupta (Overseas Investments)
HSBC Brazil Fund	Sonal Gupta (Overseas Investments)
HSBC Business Cycle Fund	Gautam Bhupal (Equity), Venugopal Manghat (Equity), Sonal Gupta (Overseas Investments)
HSBC Conservative Hybrid Fund	Mahesh Chhabria (Fixed Income), Cheenu Gupta (Equity)
HSBC Consumption Fund	Gautam Bhupal (Equity), Anish Goenka (Equity), Sonal Gupta (Overseas Investments)
HSBC ELSS Tax saver Fund	Cheenu Gupta (Equity), Gautam Bhupal (Equity), Sonal Gupta (Overseas Investments)
HSBC Equity Savings Fund	Cheenu Gupta (Equity), Mahesh Chhabria (Fixed Income), Neelotpal Sahai (Equity), Praveen Ayathan (Arbitrage), Hitesh Gondhia (Arbitrage), Sonal Gupta (Overseas Investments)
HSBC Focused Fund	Neelotpal Sahai (Equity), Cheenu Gupta (Equity)
HSBC Global Emerging Markets Fund	Sonal Gupta (Overseas Investments)
HSBC Global Equity Climate Change Fund of Fund	Sonal Gupta (Overseas Investments), Kapil Punjabi (Fixed Income)

Name of the Scheme(s)	Fund Manager
HSBC Infrastructure Fund	Venugopal Manghat (Equity), Gautam Bhupal (Equity), Sonal Gupta (Overseas Investment)
HSBC Large and Midcap Fund	Cheenu Gupta (Equity), Neelotpal Sahai (Equity)
HSBC Low Duration Fund	Shriram Ramanathan (Fixed Income), Mahesh Chhabria (Fixed Income)
HSBC Midcap Fund	Venugopal Manghat (Equity), Cheenu Gupta (Equity), Sonal Gupta (Overseas Investments)
HSBC Multi Cap Fund	Venugopal Manghat (Equity), Neelotpal Sahai (Equity), Kapil Lal Punjabi (Fixed Income), Sonal Gupta (Overseas Investments)
HSBC Small Cap Fund	Venugopal Manghat (Equity), Cheenu Gupta (Equity), Sonal Gupta (Overseas Investments)
HSBC Tax Saver Equity Fund	Gautam Bhupal, Cheenu Gupta
HSBC Value Fund	Venugopal Manghat (Equity), Gautam Bhupal (Equity), Sonal Gupta (Overseas Investments)
HSBC Aggressive Hybrid Fund	Cheenu Gupta (Equity), Gautam Bhupal (Equity), Shriram Ramanathan (Fixed Income), Sonal Gupta (Overseas Investments)
HSBC Arbitrage Fund	Praveen Ayathan (Arbitrage), Hitesh Gondhia (Arbitrage), Sonal Gupta (Overseas Investments)
HSBC Banking and PSU Debt Fund	Mahesh Chhabria (Fixed Income), Jalpan Shah (Fixed Income)
HSBC CRISIL IBX 50-50 Gilt Plus SDL Apr 2028 Index Fund	Kapil Lal Punjabi (Fixed Income), Mahesh Chhabria (Fixed Income)
HSBC CRISIL IBX Gilt June 2027 Index Fund	Kapil Lal Punjabi (Fixed Income), Mahesh Chhabria (Fixed Income)
HSBC Overnight Fund	Kapil Lal Punjabi (Fixed Income), Mahesh Chhabria (Fixed Income)
HSBC Ultra Short Duration Fund	Mahesh Chhabria (Fixed Income), Jalpan Shah (Fixed Income)

## J. WHAT ARE THE INVESTMENT RESTRICTIONS?

### Investment Restrictions for the Scheme

All investments by the Scheme and the Mutual Fund, will always be within the investment restrictions as specified in the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. Pursuant to the Regulations, the following investment and other restrictions are presently applicable to the Scheme:

1. A mutual fund scheme shall not invest more than:
  - a. 10% of its NAV in debt and money market securities rated AAA; or
  - b. 8% of its NAV in debt and money market securities rated AA; or
  - c. 6% of its NAV in debt and money market securities rated A and below;
    - issued by a single issuer.

The above investment limits may be extended by up to 2% of the NAV of the scheme with prior approval of the Board of Trustees and Board of Directors of the AMC, subject to compliance with the overall 12% limit specified in clause 1 of Seventh Schedule of MF Regulation.

The long term rating of issuers shall be considered for the money market instruments. However, if there is no long term rating available for the same issuer, then based on credit rating mapping of CRAs between short term and long term ratings, the most conservative long term rating shall be taken for a given short term rating. Exposure to government money market instruments such as TREPS on G-Sec/ T-bills shall be treated as exposure to government securities.

2. A mutual fund scheme shall not invest in unlisted debt instruments including commercial papers, except Government Securities and other money market instruments.

Provided that Mutual Fund Schemes may invest in unlisted non-convertible debentures up to a maximum of 10% of the debt portfolio of the scheme subject to such conditions as may be specified by the Board from time to time:

Provided further that mutual fund schemes shall comply with the norms under this clause within the time and in the manner as may be specified by the Board:

Provided further that the norms for investments by mutual fund schemes in unrated debt instruments shall be specified by the Board from time to time.

In terms of para 12.1.1 of SEBI Master Circular on Mutual Funds dated May 19, 2023, the Scheme shall not invest in unlisted debt instruments including commercial papers (CPs), except Government Securities, other money market instruments and derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. which are used by mutual funds for hedging.

Provided that Scheme may invest in unlisted non-convertible debentures up to a maximum of 10% of the debt portfolio of the Scheme subject to the condition that such unlisted NCDs have a simple structure (i.e. with fixed and uniform coupon, fixed maturity period, without any options, fully paid up upfront, without any credit enhancements or structured obligations) and are rated and secured with coupon payment frequency on monthly basis.

Provided further that the Scheme shall comply with the norms under this clause within the time and in the manner as may be specified by the SEBI

For the above purposes, listed debt instruments shall include listed and to be listed debt instruments.

All investments by the Scheme in CPs would be made only in CPs which are listed or to be listed

In accordance with the para 12.1.5 of SEBI Master Circular on Mutual Funds dated May 19, 2023, investment in unrated debt and money market instruments, other than government securities, treasury bills, derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. by mutual fund schemes shall be subject to the following:

- a. Investments should only be made in such instruments, including bills re-discounting, usance bills, etc., that are generally not rated and for which separate investment norms or limits are not provided in SEBI (Mutual Fund) Regulations, 1996 and various circulars issued thereunder.

- b. Exposure of mutual fund schemes in such instruments, shall not exceed 5% of the net assets of the schemes.
  - c. All such investments shall be made with the prior approval of the Board of AMC and the Board of trustees.
  - d. The single issuer limit and the group exposure limit shall be calculated at the issuing bank level as BRDS are issued with recourse to the issuing bank.
  - e. Investment in BRDS by debt schemes of mutual funds shall be considered as exposure to financial services sector for the purpose of sector exposure limits.
3. The Fund under all its Schemes shall not own more than 10% of any company's paid up capital carrying voting rights.

Provided that, the limit of 10 per cent shall not be applicable for investments in [case of] index fund [or exchange traded fund] or sector or industry specific scheme.

For the purpose of determining the above limit, a combination of positions of the underlying securities and stock derivatives will be considered.

4. Transfer of investments from one Scheme to another Scheme in the Mutual Fund is permitted provided:

- (a) Such transfers are done at the prevailing market price for quoted instruments on spot basis (spot basis shall have the same meaning as specified by a Stock Exchange for spot transactions); and
- (b) The securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made.

Further, para 12.30 of SEBI Master Circular on Mutual Funds dated May 19, 2023 has prescribed elaborate guidelines for inter-scheme transfers (IST). The key extracts are as follows:

- ISTs shall be permitted only if other resources such as cash and cash equivalent, market borrowing, and selling securities in the market are exhausted.
  - ISTs will be permitted for rebalancing of portfolio only if there is a passive breach of regulatory limits or where duration, issuer, sector, and group rebalancing are required in both the transferor and transferee schemes.
  - No inter-scheme transfer of a security shall be allowed, if there is negative news or rumors in the mainstream media or an alert is generated about the security, based on internal credit risk assessment.
  - If the security gets downgraded within a period of four months following such a transfer, the fund manager of the buying scheme will have to provide detailed justification to the Trustee for buying such a security.
5. The aggregate inter-scheme investment in line with the investment objectives, made by all the Schemes under the same management or in schemes under management of any other asset management company shall not exceed 5% of the Net Asset Value of the Fund.

No investment management fees shall be charged for investing in other Schemes of the Fund or in the Schemes of any other Mutual Fund. Provided that this clause shall not apply to any fund of funds scheme and investments in mutual funds in foreign countries.

- 6. The Scheme shall get the securities purchased or transferred in the name of the Fund on account of the concerned Scheme, wherever investments are intended to be of a long-term nature.
- 7. Every mutual fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities:

Provided that a mutual fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board:

Provided further that a mutual fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by the Board

Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.

8. Pending deployment of funds of a Scheme in terms of investment objectives of the scheme, a mutual fund may invest them in short-term deposits (STD) of scheduled commercial banks, subject to such Guidelines as may be specified by the Board. The requirements of para 12.16 of SEBI Master Circular on Mutual Funds dated May 19, 2023 will be adhered to.

Where the cash in the Scheme is parked in short term deposits of Scheduled Commercial Banks pending deployment, the Scheme shall abide by the following guidelines:

- "Short Term" for parking of funds shall be treated as a period not exceeding 91 days. Such short-term deposits shall be held in the name of the Scheme.
- The Scheme shall not park more than 15% of the net assets in short term deposit(s) of all the scheduled commercial banks put together. However, such limit may be raised to 20% with the approval of the Trustee.
- Parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the Mutual Fund in short term deposits.
- The Scheme shall not park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
- The Scheme shall not park funds in short-term deposit of a bank which has invested in the Scheme. The Trustees/AMC shall also ensure that the bank in which a scheme has STD do not invest in the said scheme until the scheme has STD with such bank.
- The AMC shall not be permitted to charge investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks. Half Yearly portfolio statements shall disclose all funds parked in short term deposit(s) under a separate heading. Details shall also include name of the bank, amount of funds parked, percentage of NAV.
- The AMC will not charge any investment management and advisory fees for funds under the Debt Schemes parked in short term deposits of scheduled commercial banks.

The above norms do not apply to term deposits placed as margins for trading in cash and derivatives market. However, all term deposits placed as margins shall be disclosed in the half yearly portfolio statements under a separate heading. Details such as name of bank, amount of term deposits, duration of term deposits, percentage of NAV should be disclosed.

9. The Scheme shall not make any investment in:
- (a) Any unlisted security of an associate or group company of the Sponsor; or
  - (b) Any security issued by way of private placement by an associate or group company of the Sponsor; or
  - (c) Listed securities of group companies of the Sponsor which is in excess of 25% of the net assets of the Scheme of the Mutual Fund.
10. The Scheme shall not borrow except to meet temporary liquidity needs of the Fund for the purpose of repurchase / redemption of Units or payment of interest and dividend to the Unitholders. Provided that the Fund shall not borrow more than 20% of the net assets of any individual Scheme and the duration of the borrowing shall not exceed a period of 6 months.

11. No loans for any purpose shall be advanced by the Scheme.
12. The Scheme may lend securities in accordance with the securities lending scheme of SEBI.
13. The Scheme shall not invest in a fund of funds scheme.
14. The cumulative gross exposure through repo transaction in corporate debt security along with equity, debt and derivatives, shall not exceed 100% of net assets of the Scheme. However, the following shall not be considered while calculating the gross exposure:
  - a) Security-wise hedged position and
  - b) Exposure in Cash or Cash equivalents with residual maturity of less than 91 days.
15. The total exposure of a debt scheme in a group (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the scheme. Such investment limit may be extended to 25% of the net assets of the scheme with the prior approval of the Board of Trustees.

The investments by the Scheme in debt and money market instruments of group companies of both the sponsor and the AMC shall not exceed 10%. Such investment limit may be extended to 15% with the prior approval of the Board of Trustees.

For above purposes, a group means a group as defined under regulation 2 (mm) of SEBI (Mutual Funds) Regulations, 1996 (Regulations) and shall include an entity, its subsidiaries, fellow subsidiaries, its holding company and its associates.

16. The total exposure of debt oriented schemes in a particular sector (excluding investments in Bank CDs, Triparty repo on Government securities or treasury bills, G-Secs, T-Bills etc., AAA rated securities issued by Public Financial Institutions and Public Sector Banks and Short term deposits of scheduled commercial banks) shall not exceed 20% of the net asset of the Scheme.

Provided that an additional exposure to financial services sector (over and above the limit of 20%) not exceeding 10% of the net asset of the Scheme shall be allowed by way of increase in exposure to Housing Finance Companies (HFCs) only. Further, an additional exposure of 5% of the net assets of the scheme has been allowed for investments in securitized debt instruments based on retail housing loan portfolio / an affordable housing loan portfolio.

Provided further that the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment / exposure in HFCs shall not exceed 20% of the net asset of the Scheme.

17. The Scheme will comply with any other regulations applicable to the investments of mutual funds from time to time.
18. The investment of scheme in the following instruments shall not exceed 10% of the debt portfolio of the scheme and the group exposure in such instruments shall not exceed 5% of the debt portfolio of the scheme:
  - a. Unsupported rating of debt instruments (i.e. without factoring-in credit enhancements) is below investment grade and
  - b. Supported rating of debt instruments (i.e. after factoring-in credit enhancement) is above investment grade.

For the purpose of this provision, 'Group' shall have the same meaning as defined in para 12.9.3.3 of SEBI Master Circular on Mutual Funds dated May 19, 2023.

Investment limits as mentioned above shall not be applicable on investments in securitized debt instruments, as defined in SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations 2008.

Investment in debt instruments, having credit enhancements backed by equity shares directly or indirectly, shall have a

minimum cover of 4 times considering the market value of such shares. The AMC may ensure that the investment in debt instruments having credit enhancements are sufficiently covered to address the market volatility and reduce the inefficiencies of invoking of the pledge or cover, whenever required, without impacting the interest of the investors. In case of fall in the value of the cover below the specified limit, necessary steps may be initiated to ensure protection of the interest of the investors.

19. A scheme shall hold at least 10% of its net assets in liquid assets. For this purpose, 'liquid assets' shall include Cash, Government Securities, T-bills and Repo on Government Securities. Further, in case, the exposure in such liquid assets / securities falls below the threshold mandated above, the AMCs shall ensure compliance with the above requirement before making any further investments
20. All investments by the Scheme in equity shares and equity related instruments shall only be made provided such securities are listed or to be listed.
21. The Scheme shall not invest more than 10% of its NAV in the equity shares or equity related instruments of any company. Provided that, the limit of 10 per cent shall not be applicable for investments in case of index fund or exchange traded fund or thematic/sector or industry specific scheme.
22. Transactions in government securities can only be undertaken in dematerialised form
23. Investments in Foreign Securities are subject to a maximum of US \$ 1 billion per Mutual Fund, within the overall industry limit of US\$ 7 billion. Further, investments in overseas Exchange Traded Fund (ETF(s)) subject to a maximum of US \$ 300 million per Mutual Fund, within the overall industry limit of US \$ 1 billion and any subsequent amendments thereto specified by SEBI and/or RBI from time to time.
24. The mutual fund having an aggregate of securities which are worth Rs. 10 crores or more, as on the latest balance-sheet date are required to settle their transactions only through dematerialised securities. All Mutual Funds should enter into transactions relating to government securities only in dematerialised form. All the investment restrictions shall be applicable at the time of making investment.
25. The Scheme may invest in another scheme managed by the same AMC or by the asset management company of any other mutual fund without charging any fees, provided that aggregate inter scheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the Fund.
26. The Scheme may invest in the units of REITs and InvITs subject to the following:
  - (a) The Mutual Fund under all its schemes shall not own more than 10% of units issued by a single issuer of REIT and InvIT; and
  - (b) The Scheme shall not invest –
    - i. more than 10% of its NAV in the units of REIT and InvIT; and
    - ii. more than 5% of its NAV in the units of REIT and InvIT issued by a single issuer
 Provided that the limits mentioned in sub-clauses (i) and (ii) above shall not be applicable for investments in case of index fund or sector or industry specific scheme pertaining to REIT and InvIT.
27. The Scheme may invest in debt instruments with special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption including Additional Tier I bonds and Tier 2 bonds issued under Basel III framework subject to following prudential limits as prescribed under clause 12.2 of SEBI Master Circular for Mutual Funds dated May 19, 2023 and such other



circulars issued by SEBI from time to time:

- (i) The Mutual Fund under all its schemes shall not own more than 10% of such instruments issued by a single issuer
- (ii) The Scheme shall not invest –
  - a. more than 10% of its NAV of the debt portfolio of the Scheme in such instruments; and
  - b. more than 5% of its NAV of the debt portfolio of the Scheme in such instruments issued by a single issuer.

(The above investment limit for the Scheme shall be within the overall limit for debt instruments issued by a single issuer, as specified at clause 1 of the Seventh Schedule of SEBI (Mutual Fund) Regulations, 1996, and other prudential limits with respect to the debt instruments.)

AMC shall comply with various investment restrictions and guidelines issued by SEBI from time

The Trustees may alter the above restrictions from time to time to the extent that changes in the Regulations may allow and as deemed fit in the general interest of the Unitholders.

It is the responsibility of the AMC to ensure that the investments are made as per the internal / Regulatory guidelines, Scheme investment objectives and in the best interest of the Unitholders of the Scheme. The Fund may follow internal guidelines as approved by the Board of the AMC and the Trustees from time to time. Internal guidelines shall be subject to change and may be amended from time to time in the best interest of the Unitholders. The amendments will be approved by the Board of the AMC and the Trustees of the Mutual Fund.

#### Investment Restrictions pertaining to derivatives:

The scheme shall comply with provisions mentioned in para 12.25 of SEBI Master Circular on Mutual Funds dated May 19, 2023 and shall adhere to the following conditions for scheme's participation in the derivatives market. Please note that the investment restrictions applicable to the Scheme's participation in the derivatives market will be as prescribed or varied by SEBI or by the Trustees (subject to SEBI requirements) from time to time.

- (i) Position limit for the Mutual Fund in index options contracts  
The position limit for the Mutual Fund in index options contracts shall be as follows:
  - (a) The Mutual Fund's position limit in all index options contracts on a particular underlying index shall be Rs. 500 crores or 15% of the total open interest of the market in index options, whichever is higher, per Stock Exchange.
  - (b) This limit would be applicable on open positions in all options contracts on a particular underlying index.
- (ii) Position limit for the Mutual Fund in index futures contracts  
The position limit for the Mutual Fund in index futures contracts shall be as follows:
  - (a) The Mutual Fund's position limit in all index futures contracts on a particular underlying index shall be Rs. 500 crores or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange.
  - (b) This limit would be applicable on open positions in all futures contracts on a particular underlying index.
- (iii) Additional position limit for hedging for the Mutual Fund  
In addition to the position limits at point (i) and (ii) above, the Mutual Fund may take exposure in equity index derivatives subject to the following limits:
  - (a) Short positions in index derivatives (short futures and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.
  - (b) Long positions in index derivatives (long futures and, long calls) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.

- (iv) Position limit for the Mutual Fund for stock based derivative contracts

The position limit for the Mutual Fund in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts shall be as follows:

The combined futures and options position limit shall be 20% of the applicable Market Wide Position Limit (MWPL).

- (v) Position limit for the Scheme

The position limit/disclosure requirements for the Scheme shall be as follows:

- (a) For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of the Scheme shall not exceed the higher of:

1% of the free float market capitalisation (in terms of number of shares) Or

5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).

- (b) For index based contracts, the Mutual Fund shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a stock exchange.

- (vi) The cumulative gross exposure through equity, debt, derivative positions including fixed income derivatives, and such other securities/assets as may be permitted by SEBI from time to time shall not exceed 100% of the net assets of the Scheme.
- (vii) The Scheme cannot write options or purchase instruments with embedded written options.
- (viii) In case the Scheme invests in options, the option premium shall not exceed 20% of the net assets of the Scheme.
- (ix) Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure.
- (x) Derivatives positions for hedging purposes will not be included in the aforesaid limits subject to compliance with the requirements mentioned in SEBI Regulations.
- (xi) The Scheme may enter into plain vanilla interest rate swaps for hedging purposes with a counter party which is recognized as a market maker by RBI. Further, the value of the notional principal in such cases will not exceed the value of respective existing assets being hedged by the Scheme.
- (xii) In case of interest rate swaps, the exposure to a single counterparty shall not exceed 10% of the net assets of the Scheme.
- (xiii) The exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limit mentioned in point (vi).
- (xiv) The gross open positions across all Interest Rate Futures contracts by the Mutual Fund shall not exceed 10% of the total open interest in the respective maturity bucket or Rs. 600 crores, whichever is higher.
- (xv) The gross open positions of the Scheme across all Interest Rate Futures contracts within the respective maturity bucket shall not exceed 3% of the total open interest or Rs. 200 crores whichever is higher.
- (xvi) As per para 12.25.11 of SEBI Master Circular on Mutual Funds dated May 19, 2023, Each position taken in derivatives shall have an associated exposure as defined under. Exposure is the maximum possible loss that may occur on a position. However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall be computed

as follows:

Position	Exposure
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option bought	Option Premium Paid * Lot Size * Number of Contracts.

### Investment restrictions related to investments in repo transactions in corporate bonds

In terms of para 12.18 of SEBI Master Circular on Mutual Funds dated May 19, 2023 read with SEBI Circular dated June 8, 2023, mutual funds can participate in repos in corporate debt securities as per the guidelines issued by RBI from time to time, subject to the following conditions:

- a. The gross exposure of the Scheme to repo transactions in corporate debt securities shall not be more than 10 % of the net assets of the Scheme.
- b. The Mutual Funds can participate in repos on following corporate debt securities:
  1. Listed AA and above rated corporate debt securities
  2. Commercial Papers (CPs) and Certificate of Deposits (CDs)
- c. For the purpose of consideration of credit rating of exposure on repo transactions for various purposes including for Potential Risk Class (PRC) matrix, liquidity ratios, Risk-o-meter etc., the same shall be as that of the underlying securities, i.e., on a look through basis.
- d. For transactions where settlement is guaranteed by a Clearing Corporation, the exposure shall not be considered for the purpose of determination of investment limits for single issuer, group issuer and sector level limits.
- e. In terms of Regulation 44 (2) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the Scheme shall borrow through repo transactions only if the tenor of the transaction does not exceed a period of six months.

### Policy on Offshore Investments by the Scheme and the Plans thereunder

SEBI Regulations permit mutual funds to invest in certain securities / instruments viz. ADRs / GDRs issued by Indian or Foreign companies, Equity of overseas companies listed on recognized stock exchanges overseas, Initial public offer (IPO) and Follow on public offerings (FPO) for listing at recognized stock exchanges overseas, Foreign debt securities in the countries with fully convertible currencies, with rating not below investment grade by accredited / registered credit rating agencies, Money market instruments rated not below investment grade, Repos - only as pure investment avenues, where the counterparty is rated not below investment grade; also repos should not however, involve any borrowing of funds by mutual funds, Government securities where the countries are rated not below investment grade, Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities, Short term deposits with banks overseas where the issuer is rated not below investment grade, Units/securities issued by overseas mutual funds registered with overseas regulators and investing in approved securities or Real Estate Investment Units / securities issued by overseas mutual funds registered with overseas regulators and investing in approved securities or Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or unlisted overseas securities (not exceeding 10% of their net assets) subject to the terms and conditions prescribed, subject to maximum of US\$ 1 Billion. This would be revised in terms of SEBI approvals / guidelines from time to time.

All the provisions of para 12.19 of SEBI Master Circular on Mutual Funds dated May 19, 2023 and all applicable regulations / guidelines / directives / notifications, as may be stipulated by SEBI and RBI, from time to time will be adhered to including appointment of dedicated fund manager for investment in foreign securities.

The Scheme can make overseas investments subject to a maximum of US \$ 1 billion per Mutual Fund, within the overall industry limit of US \$ 7 billion or such limits as may be prescribed by SEBI from time to time. The Scheme therefore may or may not be able to utilise the limit of USD 1 billion due to the USD 7 billion limit being exhausted by other Mutual Funds. Further, the scheme can make investments in overseas Exchange Traded Fund (ETF(s)) subject to a maximum of US \$ 300 million per Mutual Fund, within the overall industry limit of US \$ 1 billion.

It is the Investment Manager's belief that foreign securities offer new investment and portfolio diversification opportunities into multi-market and multi-currency products. The Fund would look to invest in foreign securities in order to diversify the portfolio in terms of variety of instruments held and enhance returns by taking advantage of market movements in global markets, which may or may not be in sync with the Indian markets. Investment in foreign securities would only be looked at if they provide a return, liquidity, ease of settlement and valuation, transaction costs better than equivalent local investments. The Fund will look to identify and capture profitable opportunities as and when they arise. However, such investments also entail additional risks. Such investment opportunities may be pursued by the Investment Manager provided they are considered appropriate in terms of the overall investment objectives of the Scheme. The Scheme may then, if necessary, seek permission from SEBI and RBI to invest abroad in accordance with the investment objectives of the Scheme and in accordance with any guidelines issued by SEBI / RBI from time to time.

Since the Scheme would invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of the Scheme. To manage risks associated with foreign currency, the Fund may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated by SEBI / RBI from time to time.

Offshore investments will be made subject to any / all approvals and conditions thereof as may be stipulated by SEBI / RBI being fulfilled. The Fund may, where necessary, appoint other intermediaries of repute as advisors, sub-custodians, etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses. The fees and expenses would illustratively include, besides the investment management fees, custody fees and costs, fees of appointed advisors and sub-managers, transaction costs and overseas regulatory costs.

The AMC / Trustee reserves the right to temporarily suspend subscriptions in / switches into the relevant Schemes, or the subsequent instalments of HSBC SIP / HSBC STP into the Schemes will be stopped from the month in which the subscriptions exceed or are expected to exceed the maximum permissible limits prescribed by SEBI for overseas investments.

### K. HOW HAS THE SCHEME PERFORMED?

The Scheme being new hence does not have any performance track record.

### L. SCHEME PORTFOLIO HOLDINGS

#### Top 10 Holdings by Issuer: Not applicable.

Fund Allocation towards various Sectors: Not applicable

Note: The portfolio shall be available, once the portfolio has been constructed.

### PORTFOLIO TURNOVER

Not applicable

### M. INVESTMENT BY DIRECTORS, FUND MANAGER'S AND KEY PERSONNEL OF THE AMC IN SCHEMES OF HSBC MUTUAL FUND

Not applicable

## SECTION III - UNITS AND OFFER

This section provides the details you need to know for investing in the Scheme.

### A. NEW FUND OFFER (NFO)

(This is the period during which a new Scheme sells its units to the investors)

The offer is being made for subscription of Units of **HSBC Multi Asset Allocation Fund (HMAAF)**

#### New Fund Offer Period

(This is the period during which a new scheme sells its units to the investors.)

The NFO for HSBC Multi Asset Allocation Fund (HMAAF) will commence from February 08, 2024 and close on February 22, 2024 AMC reserves the right to extend the New Fund Offer (NFO) period, subject to the condition that the NFO Period including the extension, if any, shall be kept open for subscription for a minimum period of three working days and not more than 15 days or for such period as allowed by SEBI.

Any modification to the New Fund Offer Period shall be announced by way of an Addendum uploaded on website of the AMC.

#### New Fund Offer Price

(This is the price per unit that the investors have to pay to invest during the NFO).

The NFO price of Units of HMAAFF will be Rs. 10/- per unit.

#### Extension / Preponing of the New Fund Offer Period

The Trustees / AMC reserve the right to modify the closing date of the NFO period, subject to the condition that the subscription to the NFO shall be kept open for a minimum period of three working days and not more than 15 days. Any extension / preponing to the NFO period shall be notified by way of publication of addendum to be uploaded on the website of the AMC.

Minimum Amount for Application during NFO:

#### Lump sum Investments:

Minimum Investment Amount	Additional Investment
Rs. 5,000 and in multiples of Re. 1/- thereafter. Minimum application amount is applicable for switch-ins as well.	Rs. 1,000/- and in multiples of Re. 1/- thereafter.

Clause 6.10 of SEBI Master Circular for Mutual Funds dated May 19, 2023 (Alignment of interest of Designated Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes) has, inter alia mandated that upto 20% of gross annual CTC net of income tax and any statutory contributions of the Designated Employees of the AMCs shall be invested in units of the scheme(s) of the Fund in which they have a role/oversight.. In accordance with the regulatory requirement, the minimum application amount wherever specified in the SID of the Fund will not be applicable for investment made in schemes of the Fund in compliance with the aforesaid circular(s).

#### SIP Investments:

##### HSBC Systematic Investment Plan (HSBC SIP)

Unitholders of the Scheme can benefit by investing specific rupee amounts periodically, for a continuous period. SIP allows the investors to invest a fixed amount every month or quarter for purchasing additional Units of the Scheme at NAV based prices. The requirement of 'Minimum Amount for Application' will not be applicable in case of SIPs.

In case an investor wishes to invest through the SIP mode, the investor is required to provide:

a mandate form to enable SIP debits either through NACH or such other facilities as may be provided by the AMC along with a copy of the cancelled cheque leaf with name of the unit holder pre-printed.

For details on minimum investment amount and minimum instalments refer to the table below:

Frequency	Minimum Amount	Minimum installments#	Dates
Weekly	Rs. 500 and in multiples of Re. 1/- thereafter	12 installments	Any Dates
Monthly	Rs. 500 and in multiples of Re. 1/- thereafter	-	
Quarterly	Rs. 1,500 and in multiples of Re. 1/- thereafter	4 installments	

#Minimum Aggregate Investment – Rs. 6,000/- and in multiples of Re. 1/- thereafter.

#### Minimum Target amount

The minimum subscription (target) amount for the scheme HMAAF shall be Rs. 10 crores. This is the minimum amount required to operate the scheme and if this is not collected during the NFO period, then all the investors would be refunded the amount invested without any return. However, if AMC fails to refund the amount within 5 business days from close of the NFO, interest as specified by SEBI (currently 15% p.a.) will be paid to the investors for such number of days, from expiry of 5 business days from the date of closure of NFO.

#### Maximum Amount to be raised (if any)

(This is the maximum amount which can be collected during the NFO period, as decided by the AMC.)

There is no maximum target for the size of the Scheme and therefore, subject to the applications being in accordance with the terms of this Offer, full and firm allotment will be made to all applicants, subject to the collection of the minimum subscription amount.

#### Plans / Options offered

The Regular Plan and Direct Plan shall be available under the Scheme. The Regular and Direct Plan will have two options viz. Growth and Income Distribution cum Capital Withdrawal option (IDCW) with Payout of IDCW and Reinvestment of IDCW sub-option. The Growth Option shall be default Option under the Plans of the Scheme. Brokerage/Commission paid to distributors and distribution expenses will not be charged under the Direct Plan. Both Plans along with the Options thereunder will have a common portfolio.

#### Direct Plan

The Scheme will have a Direct Plan for investors who wish to purchase/subscribe to Units of the Plan directly. Applications routed through a Distributor will not be eligible for investments under Direct Plan. All the features of the Plans under Scheme like the investment objective, asset allocation pattern, investment strategy, risk factors, facilities offered, load structure etc. will be the same for the Direct Plan except for a lower expense ratio as detailed in *Section IV – Fees and Expenses – B. Annual Recurring Expenses*. Brokerage/Commission paid to distributors will not be charged under the Direct Plan. All Plans of the Scheme and Options thereunder (including Direct Plan) will have a common portfolio.

All characteristics of the Schemes viz. investment objective, asset allocation pattern, investment strategy, risk factors, facilities offered

and terms and conditions including load structure will be same for Direct Plan except that:

- (a) Switch of investments from existing Plans, where the transaction has been received with Distributor Code, (whether the investments were made before or after January 1, 2013) to Direct Plan shall be subject to applicable exit load, if any.
- (b) No exit load shall be levied:
  - i. in case of switches from Direct Plan to existing Plan.
  - ii. in case of switches from existing Plan, where the transactions were made without Distributor Code, (whether the investments were made before or after January 1, 2013) to Direct Plan.

Direct Plan shall have a lower expense ratio compared to the existing Plan and no commission for distribution of units will be paid / charged under Direct Plan.

All categories of investors (whether existing or new Unit holders) are eligible to subscribe under Direct Plan. Investments under Direct Plan can be made through various modes offered by the Fund for investing directly with the Fund {including Stock Exchange platform(s)}

Investors wishing to transfer their accumulated balance held under any existing Plan of the Schemes (through lumpsum / systematic investments made with or without distributor code) to Direct Plan will have to switch / redeem their investments (subject to applicable exit load, if any) and apply under the Direct Plan. Investors who have invested through distributor code and have opted for Reinvestment of IDCW facility under the existing plan may note that the dividend will continue to be reinvested in the existing plan only.

### Default Option

Investors should indicate the Scheme / Plan and / or Option etc., wherever applicable, for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the Application Form. In case of valid applications received, without indicating / incorrectly indicating the Scheme / Plan and / or Option etc. the following defaults will be flagged off :

Indication not made/ incorrectly made	Default
Scheme / Plan Name	As indicated on the application form / transaction slip (The applicable NAV shall be as per the funds available for utilization).
Income Distribution cum Capital Withdrawal option (IDCW) / Growth Option	Growth Option
Payout of IDCW / Reinvestment of IDCW	Reinvestment of IDCW
Mode of holding (in cases where there are more than one applicant)	Joint
Direct Plan opted (with/ without distributor code on the application)	Units will be allotted in "Direct Plan"
Broker code is mentioned as "DIRECT" / incorrect / eft blank	Units will be created under "Direct Plan" with broker code "Direct"
Status of First Applicant (Individual, HUF, Company etc.)	Others #
* Demat account details	Units will be held in physical mode
Broker code is mentioned as Incorrect ARN	Units will be created under Regular Plan

\* Applicants, who wish to opt for Demat mode (including a transferee), will be required to have a beneficiary account with a DP of NSDL

/ CDSL and will be required to indicate in the application the DP's name, DP ID Number and its beneficiary account number with DP. In the absence of the information (including incomplete / incorrect information) in respect of DP ID/BO ID, the application will be processed with statement option as 'physical' only.

# Tax rates (including the tax on dividend distribution) wherever applied on 'Others' by the Mutual Fund shall be the same as applicable to a Resident Indian Company.

**With regard to Broker Code, default Plan as per the following table will apply to investors.**

Broker Code mentioned by the investor	Plan mentioned by the investor	Default Plan to be captured by the AMC
Not mentioned	Not mentioned	Direct Plan
Not mentioned	Direct	Direct Plan
Not mentioned	Regular	Direct Plan
Mentioned	Direct	Direct Plan
Direct	Not Mentioned	Direct Plan
Direct	Regular	Direct Plan
Mentioned	Regular	Regular Plan
Mentioned	Not Mentioned	Regular Plan

In cases of wrong / invalid / incomplete ARN codes mentioned on the application form, the application shall be processed under Regular Plan. The AMC shall contact and obtain the correct ARN code within 30 calendar days of the receipt of the application form from the investor / distributor. In case, the correct code is not received within 30 calendar days, the AMC shall reprocess the transaction under Direct Plan from the date of application without any exit load.

### Treatment of Financial Transactions Received Through Suspended Distributors:

1. All Purchase / Switch requests (including under fresh registrations of Systematic Investment Plan ("SIP") / Systematic Transfer Plan ("STP") or under SIPs / STPs registered prior to the suspension period) received during the suspension period shall be processed under "Direct Plan" and continue to be processed under "Direct Plan" perpetually unless, after suspension of ARN is revoked, investor makes a written request to process the future instalments / investments under "Regular Plan". HSBC Asset Management (India) Private Limited ('AMC') shall also suitably inform the concerned unitholders about the suspension of the distributor from doing mutual fund distribution business.
2. Any Purchase / Switch or SIP / STP transaction requests received through the stock exchange platform, from any distributor whose ARN has been suspended, shall be rejected.
3. Additionally, where the ARN of a distributor has been terminated permanently, the AMC shall advise the concerned unitholder(s), who may at their option, either continue their existing investments under Regular Plan under any valid ARN holder of their choice or switch their existing investments from "Regular Plan" to "Direct Plan" subject to tax implications and exit load, if any.

### Treatment of Unclaimed IDCW and redemption amounts

In accordance with clause 14.3 of SEBI Master Circular dated, May 19, 2023, the unclaimed Redemption amount and IDCW amount shall be invested in the separate plan of HSBC Overnight Fund.

Unitholders shall note that in accordance with SEBI circular dated February 25, 2016, HSBC Overnight Fund has four separate plans for the limited purpose of deploying the unclaimed redemption and dividend amounts. These plans are not available for regular investments / switches by investors. The investment objective, asset allocation pattern, investment strategy, risk factors and portfolio of these Plans are same as other existing plans of HSBC Overnight Fund. These plans will only have growth option. Further, the Total

Expense Ratio of these four plans will be capped, at 50 bps, as per extant SEBI (Mutual Funds) Regulations, 1996 and there will be no exit load charged, as required under the aforesaid circular.

Investors who claim these unclaimed IDCW and redemption amounts during a period of three years from the due date shall be paid initial unclaimed amount along with the income earned on its deployment. Investors who claim these amounts after 3 years, shall be paid initial unclaimed amount along with the income earned on its deployment till the end of the third year. After the third year, the income earned on such unclaimed amounts shall be used for the purpose of investor education.

AMC shall play a proactive role in tracing the rightful owner of the unclaimed amounts considering the steps suggested by regulator vide the referred circular. The list of names and address of unitholders in whose folios there are unclaimed amounts along with the process of claiming such unclaimed amounts are available on our website <http://www.assetmanagement.hsbc.co.in>.

### **Dividend Distribution Policy**

The Trustees propose to follow the below dividend distribution policy:

Investors may please note that amounts distributed under Income Distributable cum capital withdrawal options and sub-options, can be made out of investors capital (Equalization Reserve), which is a part of sale price that represents realized gains.

Declaration of dividend is subject to the availability of distributable surplus. Such dividends if declared, will be paid under normal circumstances, only to those Unitholders who have opted for Income Distribution cum capital withdrawal option (IDCW) with specified sub-options. Further, no entry / exit load shall be charged for units allotted under Reinvestment of IDCW option.

However, it must be distinctly understood that the actual declaration of dividends under the Scheme and the frequency thereof will, inter-alia, depend upon the distributable surplus of the Scheme, as computed in accordance with SEBI Regulations. The Trustees reserve the right of dividend declaration and to change the frequency, date of declaration and the decision of the Trustees in this regard shall be final. There is no assurance or guarantee to Unit holders as to the rate of dividend distribution nor that dividend will be regularly paid.

The dividend that may be paid out of the net surplus of the Scheme will be paid only to those Unit holders whose names appear in the register of Unit holders on the notified record date. In case of Units held in dematerialized mode, the Depositories (NSDL / CDSL) will give the list of demat account holders and the number of units held by them in demat form on the Record Date to the Registrars and Transfer Agent of the Mutual Fund. The dividend will be at such rate as may be decided by the AMC in consultation with the Trustees.

Investors may please note that amounts distributed under Income Distributable cum capital withdrawal options and sub-options, can be made out of investors capital (Equalization Reserve), which is a part of sale price that represents realized gains.

Under the Growth Option, income earned on the Scheme's corpus will remain invested in the Scheme and will be reflected in the Net Asset Value (NAV). Unit holders who opt for this Option will not receive any dividend in normal circumstances. Under the Income Distribution cum capital withdrawal option, it is proposed to distribute dividends at regular intervals, subject to availability of distributable profits, as computed in accordance with SEBI Regulations. Investors in the Scheme have the choice of opting for either payout or reinvestment of dividend, as stated above. Subsequent to the declaration of dividend, NAV of the Income Distribution cum capital withdrawal Option and Growth Option will be different.

### **Dividend Distribution Procedure**

In accordance with Chapter 11 and para 13.2 of SEBI Master Circular on Mutual Funds dated May 19, 2023, the procedure for Dividend Distribution would be as under:

- i) Quantum of dividend in rupee terms and the record date will be fixed by the Trustee in their meeting. Dividend so decided shall be paid, subject to availability of distributable surplus.
- ii) Within one calendar day of decision by the Trustee, the AMC shall issue notice to the public communicating the decision about the dividend including the record date, in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the head office of the Mutual Fund is situated.
- iii) Record date shall be the date which will be considered for the purpose of determining the eligibility of investors whose names appear on the register of Unit holders for receiving dividends. As per para 11.6.1.3 of SEBI Master Circular on Mutual Funds dated May 19, 2023 or as amended from time to time, the record date shall be 2 working days from the date of public notice.
- iv) The notice will, in font size 10, bold, categorically state that pursuant to payment of dividend, the NAV of the Scheme would fall to the extent of payout and statutory levy (if applicable).
- v) The NAV will be adjusted to the extent of dividend distribution and statutory levy, if any, at the close of business hours on record date.
- vi) Before the issue of such notice, no communication indicating the probable date of dividend declaration in any whatsoever, will be issued by Mutual Fund.

In case of Liquid / Debt Scheme(s), the requirement of giving notice regarding the quantum and record date of the dividend in two newspapers shall not be compulsory for Scheme(s) / Plan(s) / Option(s) having frequency of dividend distribution from daily up to monthly dividend.

The dividend proceeds may be paid by way of dividend warrants/ direct credit / Electronic Funds Transfer (EFT) / Electronic Clearing Service (ECS) Credit / National Electronic Funds Transfer (NEFT) / Real Time Gross Settlement (RTGS) / Wired Transfer / National Electronic Clearing Service (NECS) / any other manner through the investor's bank account specified in the Registrar's records. The AMC, at its discretion at a later date, may choose to alter or add other modes of payment.

As per para 11.4 of SEBI Master Circular on Mutual Funds dated May 19, 2023 or as amended from time to time, the AMC shall dispatch payment of the dividend proceeds within 7 working days from the record date.

AMC may also use instruments or payment channels such as RTGS, NEFT, IMPS, direct credit, etc. or any other mode allowed by Reserve Bank of India from time to time, for payments including refunds to unitholders in addition to the cheque, demand draft or dividend warrants.

Further, AMC may also use modes of despatch such as speed post, courier etc. for payments including refunds to unitholders in addition to the registered post with acknowledgement due.

### **Allotment**

All applicants will receive full and firm allotment of Units, provided the applications are complete in all respects and are found to be in order. The Trustees retain the sole and absolute discretion to reject any application. The process of allotment of Units and mailing of allotment / account statements reflecting the allotments will be completed within 5 business days from the date of closure of the NFO.

### **Applicants under the Scheme will have an option to hold the Units either in physical form (i.e. account statement) or in dematerialized form.**

The unit holders would have an option to hold the units in demat form in addition to the account statement as per the current practice. The unit holders who wish to trade in units would be required to have a demat account.

For investors who have given demat account details, the Units will be credited to the investor's demat account after due verification and confirmation from NSDL / CDSL of the demat account details. The total number of Units allotted will be determined with reference to the applicable sale price and fractional Units may be created. Fractional Units will be computed and accounted for up to three decimal places for all Scheme.

An allotment confirmation specifying the number of units allotted will be sent to the unit holders' by way of email and / or physical statement to the registered e-mail address and / or registered address, within 5 Business Days from the closure of the NFO.

For ongoing period, CAS for each calendar month to the Unit Holder(s) in whose folio(s) Transaction(s) has / have taken place during that calendar month shall be sent on or before 15th of the succeeding calendar month.

In case of any specific request for account statement received from a Unit Holder, the account statement would be sent to the Unit Holder within 5 (Five) Business Days from the receipt of such request.

### Dematerialization

Unit holders opting to hold the Units in demat form must provide their demat Account details in the specified section of the application form. The Unit holder intending to hold the Units in demat form are required to have a beneficiary account with the Depository Participant (DP) (registered with NSDL / CDSL as may be indicated by the Fund at the time of launch of the Scheme) and will be required to indicate in the application the DP's name, DP ID Number and the beneficiary account number of the applicant with the DP at the time of purchasing Units during the NFO of the Scheme. In case Unit holders do not provide their demat Account details, the Units will be allotted in physical mode provided the application is otherwise complete in all respect and accordingly an Account Statement shall be sent to the Unit holder. Such investors will not be able to trade on the stock exchange till the holdings are converted into demat form. Investors opting to hold Units in demat form should furnish Bank Account details linked with their demat account.

The asset management company shall issue units in dematerialized form to a unit holder in a scheme within two working days of the receipt of request from the unit holder.

### Refund

In case the Scheme fails to collect the minimum subscription amount under the scheme, the Mutual Fund and the AMC shall be liable to refund the subscription amount to the applicants of the Scheme within 5 business days from closure of NFO. In addition to the above, refund of subscription money to applicants whose applications are invalid for any reason whatsoever will commence immediately after the allotment process is completed.

No interest will be payable on any subscription money refunded as above. Interest on subscription amount will be payable for amounts refunded later than 5 business days from the closure of the New Fund Offer Period at the rate of 15% per annum for the period in excess of 5 business days and will be charged to the AMC. Refund will be credited to the bank account of the unitholder from where the funds are received OR refund order will be marked "A/c. payee only" and will be in favour of and be despatched to the Sole / First Applicant, by courier / speed post / registered post.

### Who can invest?

This is an indicative list and you are requested to consult your financial advisor to ascertain whether the Scheme is suitable to your risk profile.

The following persons are eligible and may apply for subscription to the Units of the Scheme (subject, wherever relevant, to purchase of units of mutual funds being permitted and duly authorised under their respective constitutions, charter documents, corporate / other authorisations and relevant statutory provisions etc):

1. Adult individuals resident in India, either singly or jointly.
2. Karta of Hindu Undivided Family (HUF)
3. Minor through parent / lawful guardian.
4. Companies, bodies corporate, public sector undertakings, association of persons, bodies of individuals, societies registered under the Societies Registration Act, 1860, mutual fund schemes (so long as the purchase of units is permitted under the respective constitutions)
5. Religious and Charitable Trusts, Wakfs or endowments of private trusts (subject to receipt of necessary approvals as required) and Private Trusts authorised to invest in mutual fund schemes under their trust deeds
6. Partnership Firms
7. Banks (including Co-operative Banks and Regional Rural Banks) & Financial Institutions
8. Non-resident Indians (NRIs) / Persons of Indian Origin on full repatriation basis (subject to RBI approval, if required) or on non-repatriation basis
9. Foreign Portfolio investors (FPI) registered with SEBI on full repatriation basis (subject to RBI approval, if required)
10. Army, Air Force, Navy and other para-military funds and eligible institutions
11. Scientific and Industrial Research Organisations
12. Provident / Pension / Gratuity and such other Funds as and when permitted to invest
13. International Multilateral Agencies approved by the Government of India / RBI
14. Other Schemes of the Fund subject to the conditions and limits prescribed in SEBI Regulations
15. Trustees, AMC or Sponsor or their associates (if eligible and permitted under prevailing laws), may subscribe to the Units under the Scheme.
16. Foreign investors (termed as Qualified Foreign Investors) who meet KYC requirement as per PMLA (Prevention of Money Laundering Act, 2002) and FATF (Financial Action Task Force) standards. Acceptance of subscriptions from Foreign investors will be subject to compliance with provisions under SEBI circular no. CIR/IMD/DF/14/2011 dated August 9, 2011 and any other applicable guidelines.

### Who cannot invest?

The following persons / entities cannot invest in the scheme:

1. United States Person as defined under the Laws of the United States of America, including, without limitation, the rules and regulations promulgated by the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission; or is a person who has elected to be treated as a US tax resident for US federal income tax purposes
2. Persons residing in Canada;
3. Persons residing in any Financial Action Task Force (FATF) declared non-compliant country or territory.
4. Overseas Corporate Bodies (OCBs), being firms and societies which are held directly / indirectly to the extent of at least 60% by NRIs and / or overseas trusts in which at least 60% of the beneficial interest is similarly held irrevocably by such persons.
5. Persons who are, subject to sanctions or residing in or have any of their addresses in countries which are subject to sanctions.
6. Persons who are in breach of the laws and regulations relating to KYC, money laundering, terrorist financing or any other Financial Crimes.
7. Such other persons as may be specified by AMC from time to time.

**Note:**

- i) Investors are requested to note that if subsequent to the account opening, an investors' status changes or is found to be of any category mentioned under 'Who cannot invest?' as above, the AMC reserves the right to redeem such investor's investments.
- ii) Non Resident Indian investors and Foreign Nationals must provide their complete overseas address, including the Country of residence, in the application form, to avoid rejection of the application.
- iii) The Trustee and / or AMC shall be entitled to reject any application from investors and/or carry out forceful redemption of Units when it is discovered that the investor is subject to sanctions or any other financial crimes, directly or indirectly.
- iv) The AMC and its Group companies (in India and outside India) are required to and may take any action to meet their Compliance Obligations relating to or in connection with the detection, investigation and prevention of Financial Crime and act in accordance with the laws, regulations and requests of public and regulatory authorities operating in various jurisdictions which relate to Financial Crime. The AMC may take, and may instruct (or be instructed by) any of its group companies to take, any action which it or such other member, in its sole and absolute discretion, considers appropriate to take in accordance with all such laws, regulations and requests. Such action may include but is not limited to (a) combining investor information with other related information in the possession of HSBC Group, (b) making further enquiries as to the status of a person or entity, whether they are subject to a sanctions regime, or confirming your identity and status and/or (c) share information on a confidential basis with such Group offices whether located in India or overseas in relation to prevention of Financial Crime.
- v) In case an investor who is a foreign national and resident in India, ceases to be resident in India, such investor will be required to redeem his / her investments prior to change in the resident status. The AMC reserves the right to redeem investments of such investors if their resident status is found to have changed to a country other than India. The redemption proceeds will be credited in Indian rupees only. Further, the AMC, its associates or service providers reserve the right to seek additional documents, implement controls and / or impose restrictions with respect to acceptance of investments from foreign nationals resident in India including the right to reject applications or subsequently redeem investments which are not in line with the controls deemed necessary by the AMC
- vi) Investors are requested to note that if subsequently an investor's status is changed to being a United States Person or investor's folio is updated with a US/Canada address, the AMC reserves the right to redeem such investor's investments. Even if the AMC, at its sole discretion, allows such categories of investors to continue with the existing investments in the Scheme (i.e. the investments made prior to such status change), the AMC/Fund shall not accept any further transactions requests (other than non-financial transactions and redemptions) from such investors and all existing systematic investment registrations would stand cancelled. The AMC/Fund shall not accept any further transactions requests (other than non-financial transactions and redemptions) from such investors

**For the purpose of this clause:**

"Compliance Obligations" means obligations of the AMC to comply with: (a) laws or international guidance and internal policies or procedures, (b) any demand or request from authorities or reporting, disclosure or other obligations under laws, and (c) laws requiring us to verify the identity of our customers.

"Financial Crime" includes money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions, and/or any acts or attempts to circumvent or violate any laws relating to these matters."

Investors are requested to note that information will be obtained from CVL / SEBI appointed KRA (KYC Registration Agency) database and information in the AMC records will be overwritten. In the event of any discrepancy in the application on account of address or residence status, the application will be rejected and the money will be refunded upon confirmation from CVL / KRA database.

The Fund reserves the right to include or exclude new / existing categories of investors to invest in the Scheme from time to time, subject to SEBI Regulations and other prevailing statutory regulations, if any. Subject to the SEBI (MF) Regulations, any application for Units may be accepted or rejected in the sole and absolute discretion of the Trustee. The Trustee may inter-alia reject any application for the purchase of Units if the application is invalid or incomplete or if the Trustee for any other reason does not believe that it would be in the best interest of the Scheme or its Unit holders to accept such an application.

**Process for Investments made in the name of a Minor through a Guardian**

- As per SEBI Circular dated May 12, 2023, Payment for investment by any mode shall be accepted from the bank account of the minor, parent or legal guardian of the minor, or from a joint account of the minor with parent or legal guardian. For existing folios, the AMCs shall insist upon a Change of Pay-out Bank mandate before redemption is processed, else the transaction is liable to get rejected.
- Irrespective of the source of payment for subscription, all redemption proceeds shall be credited only in the verified bank account of the minor, i.e. the account the minor may hold with the parent/ legal guardian after completing all KYC formalities.
- Upon the minor attaining the status of major, the minor in whose name the investment was made, shall be required to provide all the KYC details, updated bank account details including cancelled original cheque leaf of the new account. No further transactions shall be allowed till the status of the minor is changed to major.

The above mentioned provisions are prescribed by SEBI vide its para 17.6 of SEBI Master Circular on Mutual Funds dated May 19, 2023 read with SEBI circular dated May 12, 2023.

- Existing unit holders are requested to review the Bank Account registered in the folio and ensure that the registered Bank Mandate is in favour of minor or joint with registered guardian in folio. If the registered Bank Account is not in favour of minor or not joint with registered guardian, unit holders will be required to submit the change of bank mandate, where minor is also a bank account holder (either single or joint with registered guardian), before initiation any redemption transaction in the folio, else the transaction is liable to get rejected.
- Unit holders are required to submit the supporting document for old bank account as well as new bank account while submitting the request for change of bank mandate.
- Investors are requested to note that information will be obtained from CVL / SEBI appointed KRA (KYC Registration Agency) database and information in the AMC records will be overwritten. In the event of any discrepancy in the application on account of address or residence status, the application will be rejected and the money will be refunded upon confirmation from CVL / KRA database.
- The Fund reserves the right to include / exclude new / existing categories of investors to invest in the Scheme from time to time, subject to SEBI Regulations and other prevailing statutory regulations, if any. Subject to the SEBI Regulations, any application for Units may be accepted or rejected in the sole and absolute discretion of the Trustee. The Trustee may inter-alia reject any application for the purchase of Units if the application is invalid or incomplete or if the Trustee for any other reason does not believe that it would be in the best interest of the Scheme or its Unit holders to accept such an application.

**Unit holders are required to submit the supporting document for old bank account as well as new bank account while submitting the request for change of bank mandate.**

### **Where can you submit the filled up applications**

Computer Age Management Services Ltd. (CAMS) having its processing unit at New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034 has been appointed as Registrar for the Scheme. The applications filled up and duly signed by the applicants should be submitted at the office of the Collection Centres / ISCs / Official Points of Acceptance, Details of official points of acceptance of transactions are provided on inside back cover page.

Additionally, all the authorized Point of Service (POS) 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 physically. The list of POS of MFUI is published on the website of MFUI at [www.mfuiindia.com](http://www.mfuiindia.com). Further, Investors can execute financial and non-financial transactions pertaining to Schemes of the Fund electronically on the MF Central portal i.e.

<https://www.mfcentral.com/> as and when such facility is made available by MF Central.

### **Bank Account Numbers**

In order to protect the interest of investors from fraudulent encashment of cheques, cheques specify the name of the Unitholder and the bank name and account number where payments are to be credited. As per the directive issued by SEBI vide its para 14.12 of SEBI Master Circular on Mutual Funds dated May 19, 2023, it is mandatory for applicants to mention their bank details in their applications for purchase or redemption of units.

It is important for applicants to mention their bank name, bank account number, branch address, account type in their applications for subscription or repurchase of Units. **Applications without this information shall be rejected.**

It may be noted that in case of those Unitholders who hold Units in demat form, the bank mandate available with respective DP will be treated as the valid bank mandate for the purpose of payout at the time of any corporate action.

### **How to apply?**

Please refer to the Statement of Additional Information (SAI) and instructions under the Key Information Memorandum cum Application form of the scheme.

For Investors, who wish to opt for holding Units in demat mode, the applicants under the scheme (including a transferee) will be required to have a beneficiary account with a DP of NSDL / CDSL and will be required to indicate in the application the DP's name, DP ID Number and its beneficiary owner account number (BO ID) with DP. In the absence of the information (including incomplete / incorrect information) in respect of DP ID / BO ID, the application will be processed with statement option as 'physical'.

Investors subscribing under Direct Plan of a Scheme are required to indicate "Direct Plan" against the Scheme name in the application form e.g. "HSBC Multi Asset Allocation Fund - Direct Plan". Investors are also required to indicate "Direct" in the ARN column of the application form. However, in case Distributor Code is mentioned in the application form but "Direct Plan" is indicated against the Scheme name, the Distributor Code will be ignored and the application will be processed under Direct Plan.

Further, new investors who are not KYC compliant are requested to use the Common KYC Application form available on the website of the Fund and complete the KYC process including In-Person Verification (IPV), through any SEBI registered intermediary like Mutual Funds, Portfolio Managers, Depository Participants, Venture Capital Funds etc. The Investors can also complete online KYC (eKYC) through our Invest Online section on our website. The investor upon completing the KYC process through any SEBI

registered intermediary, will not be required to undergo the KYC process again with other intermediaries including Mutual Funds. Further, IPV conducted for an investor by any SEBI registered intermediary can be relied upon by the Fund. With respect to Mutual Funds, IPV can be carried out by the AMC or by KYD (Know Your Distributor) compliant distributors who hold certifications from NISM / AMFI, while for applications received directly from investors (i.e. not through any distributor), IPV conducted by scheduled commercial banks can be relied upon.

In continuation to the above, all investors investing or switching Units should mandatorily complete the KRA KYC formalities. Those investors who had obtained MF KYC compliance through CVL (KYC registration authority till 31 December 2011) are required to submit necessary supporting(s) and update the missing information to be in compliance with the uniform KYC requirement laid down by SEBI. For investors who have not completed KYC compliance through KRA, any application received without the requisite KYC information will be rejected. However, investors who have obtained KRA KYC compliance, as well as existing investors of the Fund who have registered their KYC details with the Fund shall be required to submit the additional KYC information to the Fund, only in the event of change in their occupation or income details. Kindly use the updated application forms or the separate KYC form of the Fund, available at ISCs or on the Fund's website for updating the additional information.

**Beneficial Ownership :** SEBI Circular dated January 24, 2013 read with SEBI Circular dated October 13, 2023 on identification of Beneficial Ownership has prescribed a uniform approach to be followed for determination of beneficial owners. A 'Beneficial owner' is defined as a natural person/s who ultimately own, control or influence a client and / or persons on whose behalf a transaction is being conducted, which includes persons who exercise ultimate effective control over a legal person or arrangement. All categories of investors (except individuals, company listed on a stock exchange or majority-owned subsidiary of such company) are requested to provide details about beneficial ownership in the specified section of the Fund's application forms. The Fund reserves the right to reject applications (including switches)/restrict further investments from such investors or seek additional information if the requisite information on beneficial ownership is not duly provided. In the event of change in beneficial ownership, investors are requested to update the details with the Fund/Registrar.

### **Additional mode of payment through ASBA facility (applicable during NFO period)**

As defined under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, 'Applications Supported by Blocked Amount (ASBA)' means an application for subscribing to a public issue or rights issue, along with an authorisation to a Self Certified Syndicate Bank (SCSB) to block the application money in a bank account. The ASBA facility shall co-exist with the current process, wherein cheques / demand drafts are accepted by the Fund as a mode of payment for subscription. The list of banks that have been notified by SEBI to act as SCSBs and their designated branches are mentioned in the ASBA form and also available on the websites of SEBI, NSE and BSE. For complete details on ASBA, refer the Application Form of the Scheme.

### **Subscription of Units through Online platform:**

The Fund allows its investors to invest in any scheme of HSBC Mutual Fund through its website <https://invest.assetmanagement.hsbc.co.in> and mobile application 'Invest Xpress' The Fund will also allow existing investors to transact through the website of the Fund's Registrar & Transfer Agent (CAMS), i.e. [www.camsonline.com](http://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.mfuiindia.com](http://www.mfuiindia.com). Further, Investors can execute financial and non-financial transactions pertaining to Schemes



of the Fund electronically on the MF Central portal i.e. <https://www.mfcentral.com/> as and when such facility is made available by MF Central. However, the Fund will not be liable for any failure to act upon electronic instructions or to provide any facility for any cause that is beyond the control of the Fund.

## Listing

Being an open ended Scheme under which sale and repurchase of Units will be made on continuous basis by the Mutual Fund, the Units of the Scheme are generally not proposed to be listed on any stock exchange. However, the AMC may at its sole discretion, list the Units under the Scheme on one or more stock exchanges at a later date, if deemed necessary.

The Unit holders are given an Option to hold the Units by way of an Account Statement (physical form) or in Dematerialized (demat form).

Presently the AMC does not intend to reissue the repurchased units. The Trustee reserves the right to reissue the repurchased units at a later date after issuing adequate public notices and taking approvals, if any, from SEBI.

## Option to hold Units in dematerialized (Demat) form

An option is available to investors to receive allotment of mutual fund Units in their demat account while subscribing to any scheme of the Fund. Unit holders opting to hold the Units in demat form must provide their demat account details in the specified section of the application form and should furnish Bank Account details linked with their demat account. (Kindly refer the application form for Demat available on the Fund's website, [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in)). Units will be credited to the investor's demat account after due verification and confirmation from NSDL / CDSL of the demat account details. The bank mandate registered in the demat account will be treated as the valid bank mandate for the purpose of payout by the Fund. The option to subscribe / hold Units in demat form shall be in accordance with the guidelines / procedural requirements laid down by the Depositories (NSDL / CDSL) from time to time.

The option to hold Units in demat mode also includes allotment of Units made through SIP transactions in any scheme of the Fund, which offers the SIP facility. For SIP transactions, Units will be allotted as per 'Applicable NAV for Sale of Units' as mentioned under Section III. 'Units and Offer' and will be credited to the investor's demat account on a weekly basis upon realization of funds. The demat facility is currently not available in plans / options where the dividend distribution frequency is less than 1 month.

In case the Unit holder desires to hold the Units in a dematerialized / rematerialized form at a later date, the request for conversion of Units held in physical form into demat (electronic) form or vice-versa should be submitted along with a Demat / Remat Request Form to the Depository Participant. Unitholders will be required to submit all non-financial requests and redemption requests to their respective Depository Participant, for Units held in demat form. Such Units held in demat form will be transferable subject to the provisions laid down in the SID / SAI and / or KIM of the Fund and in accordance with provisions of Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, as may be amended from time to time.

## Special Products / facilities available during the NFO

### Switching Option

During the NFO Period, Unit Holders in the various Schemes of the Fund have the option of switching into the Scheme.

To effect a switch, a Unit holder must provide clear instructions. A request for a switch may be specified either in terms of amount or in terms of the number of Units of the Scheme from which the switch is sought. Where a request for switch is for both amount and number of Units, the amount requested will be considered as the definitive

request. Such instructions may be provided in writing and lodged on any Business Day at any of the Investor Service Centres / Designated Collection Centres.

The switch will be effected by redeeming Units from the Scheme in which the Units are held and investing the net proceeds in the other Scheme(s) / Plans / Options, subject to the minimum application amount and subscription / redemption criteria applicable for the respective Scheme(s). Valid requests for 'switch out' shall be treated as redemptions and 'switch in' shall be treated as purchases, after considering any prevalent exit loads for switches. A switch by NRI / FPI Unit holders will be subject to the compliance of procedures and / or final approval of the Reserve Bank of India and / or any other agency, as may be required.

In view of the individual nature of tax impact, each investor is advised to consult with his or her own tax consultant with respect to the capital gains/loss and specific tax implications arising out of switches and redemptions.

## Systematic Investment Plan (SIP)

Unit holders of the Scheme can benefit by investing specific rupee amounts periodically, for a continuous period. SIP allows the investors to invest a fixed amount every month or quarter for purchasing additional Units of the respective Plan under Scheme at NAV based prices. SIP facility is available for both the Options viz. Growth Option and Income Distribution cum Capital Withdrawal Option (IDCW).

Investors can enroll themselves for SIP (minimum 12 instalments in case of weekly, 6 instalments in case of monthly and 4 instalments in case of quarterly SIP) by ticking the appropriate box in the SIP application form and filling up the relevant details like amount of SIP Instalment, period, and SIP date. The terms and conditions of SIP are provided in detail in the SIP Auto Debit Form. SIP through post-dated cheques will not be accepted.

## Systematic Transfer Plan (STP) & Systematic Withdrawal Plan (SWP)

STP & SWP facilities will be available only after the Scheme reopens for continuous sale and repurchase. Refer 'Special Products available during the Continuous Offer' under Section III B. 'On-going Offer details'

**The policy regarding reissue of repurchased units, including the maximum extent, the manner of reissue, the entity (the scheme or the AMC) involved in the same:** Not Applicable.

**Restrictions, if any, on the right to freely retain or dispose of units being offered**

### i) Transfer & Transmission of Units

The Unit holders are given an option to hold the Units by way of an Account Statement (physical form) or in Dematerialized (demat form). As described below, units held in Demat mode as well as in physical form (account statement) are transferable.

**Transfer of units held in Demat mode:** Such units are transferable (subject to lock-in period, if any and subject to lien, if any marked on the units) in accordance with the provisions of SEBI (Depositories and Participants) Regulations, 2018, as may be amended from time to time. Transfer can be made only in favor of transferees who are capable of holding Units and having a Demat Account. The delivery instructions for transfer of Units will have to be lodged with the DP in requisite form as may be required from time to time and transfer will be effected in accordance with such rules / regulations as may be in force governing transfer of securities in dematerialized mode. Further, for the procedure of release of lien, the investors shall contact their respective DP.

**Transfer of units held in Physical form:** Units held in physical form are normally not certified. However, if an applicant

so desires to transfer units, the AMC, upon submission of documents which will be prescribed from time to time, shall certify the units and issue a fresh statement / certificate to the extent of certified units to the investor within 5 business days of the receipt of request. If the investor intends to transfer units, it could be done to the extent of certified units mandatorily using the statement / certificate issued post certification of units. Certificate / statement issued post certifying of units must be duly discharged by the Unit holder(s) and surrendered along with the request for Transfer. AMC reserves the right to accept the request for certification of units. The AMC reserves the right to reject the application for transfer, post acceptance of the same, if any of the requisite documents / declarations are unavailable or incomplete. Also, unitholders are required to surrender the certificate / statement in case they wish to carry out any other transactions (such as redemption, switch, etc.) post unit certification.

A person becoming entitled to hold the Units in consequence of the death, insolvency, or winding up of the sole holder or the survivors of joint holders, upon producing evidence and documentation to the satisfaction of the Fund and upon executing suitable indemnities in favor of the Fund and the AMC, shall be registered as a Unit holder if the transferee is otherwise eligible to hold the Units.

Where the Units of the Plan(s) are issued in demat form in the Demat account of the investor, the nomination as registered with the DP will be applicable to the Units of the Plan(s). A Nominee / legal heir approaching the Fund for Transmission of Units must have beneficiary account with a DP of CDSL or NSDL, since the Units shall be in demat mode. It may be noted that the nominee / legal heir is required to provide a copy of his / her PAN card as well as fulfill the Know Your Customer (KYC) requirements which is a pre-requisite for the transmission process.

In the event of transmission of units to a Minor, documents submitted including KYC, bank attestation, indemnity etc. should be of the guardian of the minor.

Investor(s) claiming transmission of Units in his / their name(s) are required to submit prescribed documents based on the kind of scenario for transmission. Kindly refer the Fund's website ([www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in)) for a ready reckoner matrix of necessary documents under different transmission scenarios. The Fund may also seek additional documents if the amount involved is above Rs. 2 lacs, on a case to case basis or depending upon the circumstances of each case.

#### **Processing of Transmission-cum-transaction requests:**

If an investor submits either a financial or non-financial transaction request along with transmission request, then such transaction requests will be processed after the Units are transferred in the name of new unit holder and only upon subsequent submission of fresh request from the new unit holder post transmission. Under normal circumstances, the Fund will endeavor to process the transmission request within 10 business days, subject to receipt of complete documentation as applicable. The AMC reserves the right to insist on transmission along with redemption request by the claimant at any point deemed necessary.

#### **ii) Lien / Pledge**

If in conformity with the guidelines and notifications issued by SEBI / Government of India / any other regulatory body from time to time, Units under the Scheme may be offered as security by way of a pledge / charge in favour of scheduled banks, financial institutions, non-banking finance companies (NBFCs), or any other body.

Units held in physical form: The AMC and / or the ISC will note and record such pledged / Lien marked Units. A standard form for this purpose is available on request from any ISC.

Disbursement of such loans will be at the entire discretion of the bank / financial institution / NBFC or any other body concerned and the Mutual Fund assumes no responsibility thereof. The Pledgor will not be able to redeem / switch Units that are pledged until the entity to which the Units are Lien marked / pledged provides written authorization to the Mutual Fund that the pledge / lien charge may be removed. As long as Units are Lien marked / pledged, the pledgee will have complete authority to redeem such Units.

The distributions in the nature of dividends which are paid out on Lien marked / pledged Units shall be made in favor of the investor, unless understood and accepted between the unit holder(s) and financier / lender.

**Units held in dematerialized form:** In case of Units held in dematerialized form, the rules of Depository will be applicable for Lien marking / Pledge of the Units of the Scheme. Units can be Lien marked / pledged by completing the requisite forms / formalities as may be required by the Depository.

The AMC reserves the right to change the procedure for Lien marking / pledge of MF Units from time to time.

#### **iii) Fractional Units**

Since a request for redemption or purchase is generally made in rupee amounts and not in terms of number of Units of the Scheme, an investor may be left with fractional Units. Fractional Units will be computed and accounted for up to three decimal places for the Scheme. However, fractional Units will in no way affect the investor's ability to redeem the Units, either in part or in full, standing to the Unitholder's credit.

#### **iv) Suspension of Sale / Switch of Units**

The Mutual Fund at its sole discretion reserves the right to withdraw sale or switch - in of the Units in the scheme temporarily or indefinitely, if in the opinion of the AMC, the general market conditions are not favourable and / or suitable investment opportunities are not available for deployment of funds.

The sale or switch - in of the Units may be suspended under the following conditions:

- When one or more stock exchanges or markets, which provide basis for valuation for a substantial portion of the assets of the Scheme is closed otherwise than for ordinary holidays.
- In the event of breakdown in the means of communication used for the valuation of investments of the Scheme, without which the value of the securities of the scheme cannot be accurately calculated.
- During periods of extreme volatility of markets, which in the opinion of the AMC are prejudicial to the interests of the Unitholders of the Scheme.
- In case of natural calamities, strikes, riots and bandhs.
- In the event of any force majeure or disaster that affects the normal functioning of the AMC, ISC or the Registrar. If so directed by SEBI. When AMC is of the view that further increasing the size of the corpus of the Scheme may prove detrimental to the interest of the existing unit holders.
- Further, an order to purchase Units is not binding on and may be rejected by the Trustees, the AMC or their respective agents, until it has been confirmed in writing by the AMC or its agents and payment has been received.

#### **v) Suspension of Redemption of units**

- The AMC may, subject to specific approval of the Boards of AMC and Trustees, impose restrictions on redemptions (including switch-out) in the scheme(s) if there are circumstances leading to a systemic crisis or event that severely constricts market liquidity or the efficient

functioning of markets such as:

- a) Liquidity issues in the market at large.
  - b) Market failures and/or exchange closures due to unexpected events relating to, but not limited to, political, economic, military, monetary or other emergencies.
  - c) Operational issues due to exceptional circumstances like force majeure, unpredictable operational problems and technical failures.
- Restriction on redemption may be imposed for a specific period of time not exceeding 10 working days in any 90 days period.
  - Any imposition of restrictions on redemption will be informed to SEBI.
  - In the event that redemption restrictions are imposed by the AMC, in addition to above requirements, the AMC will ensure the following:
    - a) Redemption request up to Rs. 2 lakh shall not be subject to such restriction.
    - b) For redemption request above Rs. 2 lakh, the AMC shall redeem the first Rs. 2 lakh without such restriction and the remaining part over and above Rs. 2 lakh, shall be subject to restriction, as may be imposed.

#### vi) Freezing / Seizure of Accounts

Investors may note that under the following circumstances the Trustee / AMC may at its sole discretion (and without being responsible and / or liable in any manner whatsoever) freeze / seize a Unit holder's account (or deal with the same in the manner the Trustee / AMC is directed and / or ordered) under the Scheme:

Under any requirement of any law or regulations for the time being in force.

Under the direction and / or order (including interim orders) of any regulatory / statutory authority or any judicial authority or any quasi-judicial authority or such other competent authority having the powers to give direction and / or order.

#### Static Details

The details provided by investors in the application form for subscribing to Units should be same as the details registered with the DP.

In the event of any conflict, the details registered with the DP will prevail.

In case any particular detail is not registered with the DP, the details in the application form will be considered.

In the event of mismatch in the mode of holding as mentioned in the application form vis-à-vis details with the DP, the application is liable to be rejected.

#### vii) Third party Cheques

- a) Third party payments (i.e where payment is made from a source other than that of the first holder) will not be accepted by the Fund, except if made under the following exceptional categories, namely i) as gift by parents / grandparents / related persons in favour of minor, not exceeding Rs. 50,000/-, ii) employer on behalf of employee as payroll deductions or deductions out of expense reimbursements for SIP / Lumpsum investments, iii) Custodian on behalf of FPI / client and iv) Payment by Asset Management Company (AMC) to a Distributor empanelled with it on account of commission / incentive etc. in the form of the Mutual Fund Units of the Funds managed by the AMC through Systematic Investment Plans or Lumpsum Investment (w.e.f January 16, 2012). v) Payment by a Corporate to its Agent/Distributor / Dealer, on account of commission or incentive payable for

sale of its goods / services , in the form of the Mutual Fund Units through Systematic Investment Plan or Lumpsum Investment (w.e.f. April 20, 2015). In such cases, KYC acknowledgement along with additional declarations will have to be submitted along with the application form, failing which the application will be rejected. Such declaration to be submitted in original & in the prescribed standard format and unique across each lumpsum investment. (Declaration formats can be obtained from ISCs or downloaded from the Fund's website.)

- b) In case of payment from a joint bank account, first holder in the folio has to be one of the joint holders of the bank account from which the payment is made. Hence, joint holders may pre-register their bank accounts (single / multiple) with the AMC / RTA, by completing the Multiple Bank Account Registration Form, if they intend to make payment on behalf of other joint holder(s) in the folio. In such cases the application will be accepted and not treated as a third party payment.
- c) Where the payment instrument does not mention the bank account holders name/s or Signature of the units holder as on the investment application does not match with the signature on the payment instrument, investor should attach bank pass book copy / bank statement / bank letter to substantiate that the first unit holder is one of the joint holders of the bank account. Where a payment is through a pre-funded instrument, a bank certification of the bank account no. and account holders name should be attached, in the required format. Pre-funded instrument issued against cash shall not be accepted for investments of Rs. 50,000 or more. For RTGS / NEFT / online bank transfer etc., a copy of the instruction to the bank stating the account number debited must accompany the purchase application.
- d) The AMC reserves the right to reject the application, post acceptance of the same, if any of the requisite documents / declarations are unavailable or incomplete, in which case the AMC shall refund the subscription money.

**No interest will be payable on the subscription money refunded. Refund orders will be marked "A/c. payee only" and will be in favour of and be despatched to the Sole / First Applicant, by courier / speed post / registered post.**

AMC may also use instruments or payment channels such as RTGS, NEFT, IMPS, direct credit, etc. or any other mode allowed by Reserve Bank of India from time to time, for payments including refunds to unitholders in addition to the cheque, demand draft or dividend warrants.

Further, AMC may also use modes of despatch such as speed post, courier etc. for payments including refunds to unitholders in addition to the registered post with acknowledgement due.

#### viii) Multiple Bank accounts

The unit holder / investor can register multiple bank account details under its existing folio by submitting separate form available on the website of the AMC at [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in). Individuals/HUF can register upto 5 different bank accounts for a folio, whereas non-individuals can register upto 10 different bank accounts for a folio.

#### Change of Bank Mandate

Updation of Bank Account in a customer's account / folio should be submitted either using the Multiple Bank Account Registration Form or the standalone Change of Bank Mandate form only. Any request for change of bank mandate details will be entertained only if the Unit Holder provides any of the following documents along with the designated Multiple Bank Account Registration / Deletion form or a standalone separate Change of Bank Mandate form:

Any one of the following document to be provided for Existing (Old) as well as New Bank account:

- Cancelled original cheque leaf with first Unit Holder name and bank account number printed on the face of the cheque. OR
- Copy of Bank Passbook having the name, address and account number of the account holder.
- Bank Statement (issued within 3 months for new bank, in case of old bank account the date of statement will not be applicable)

Important: The above documents should be either in original or copy to be submitted along with original produced for verification.

In case if documents for the existing bank account are not available, kindly visit HSBC / CAMS office for In Person Verification along with PAN Card Copy / Photo Identification Proof for PAN Exempt cases. All documents to be self-attested. Kindly carry originals for adding a new bank.

For more details, refer to the Application Form .

#### **ix) Prevention of Money Laundering and Know Your Client (KYC) Norms**

KYC (Know Your Customer) norms are mandatory for all unit holders, including for all joint holders and the guardian in case of folio of a minor investor for transacting in Mutual Funds. Accordingly, financial transactions (including redemptions, switches and all types of systematic plans) and non-financial requests will not be processed if the unit holders (including POA holder) have not completed KYC requirements. Investors are requested to note that all investors are required to be KRA (KYC Registration Agency) KYC compliant. Those investors who had obtained MF KYC compliance through CVL (KYC registration authority till 31 December 2011) are required to submit necessary supporting(s) and update the missing information to be in compliance with the uniform KYC requirement laid down by SEBI.

#### **x) Prevention of Money Laundering and Know Your Client (KYC) Norms**

KYC (Know Your Customer) norms are mandatory for all investors for making investments in Mutual Funds, irrespective of the amount of investment. Investors are requested to note that all investors are required to be KRA (KYC Registration Agency) KYC compliant. Those investors who had obtained MF KYC compliance through CVL (KYC registration authority till 31 December 2011) are required to submit necessary supporting(s) and update the missing information to be in compliance with the uniform KYC requirement laid down by SEBI.

Pursuant to SEBI circular dated December 26, 2013 on uniform KYC norms, certain information from Part I of the standard KYC application form, sourced by KRA (KYC Registration Agency) has been shifted to Part II which captures information specific to the area of activity of an intermediary. Accordingly, the additional KYC information required for mutual fund activities has been incorporated into the new application forms of the Fund and investors are requested to provide the same in order for the Fund to have all the necessary KYC details. For investors who have not completed KYC compliance through KRA, any application received without the requisite KYC information will be rejected. However, investors who have obtained KRA KYC compliance, as well as existing investors of the Fund who have registered their KYC details with the Fund shall be required to submit the additional KYC information to the Fund, only in the event of change in their occupation or income details. Kindly use the updated application forms or the separate KYC form of the Fund, available at ISCs or on the Fund's website for updating the additional information. The AMC reserves the right to reject the application and refund the application amount, post acceptance of the application, in

the event that the required KYC information is not provided or not found adequate.

Further, in accordance with SEBI Circulars MIRSD/SE/Cir- 21/2011 dated October 5, 2011 and MIRSD/Cir-5/2012 dated April 13, 2012 on Uniform Know Your Client (KYC) read with AMFI Best practices guidelines circular no. 62/2015-16 dated September 18, 2015, it shall be mandatory for existing Unit holders to provide additional KYC information such as Income details, Occupation, Politically Exposed Person status, Net worth etc. as mentioned in the application form as well as complete In-Person Verification (IPV) and provide any missing KYC information, failing which the AMC shall have the authority to reject the transaction for additional subscription (including switches) in their existing folios. However, any SIP/STP registered till December 31, 2015 will be exempt from this requirement.

#### **Implementation of Central KYC (CKYC)**

The Government of India has authorized the Central Registry of Securitization and Asset Reconstruction and Security interest of India (CERSAI, an independent body), to perform the function of Central KYC Records Registry including receiving, storing, safeguarding and retrieving KYC records in digital form. Accordingly, in line with SEBI circular nos. CIR/MIRSD/66/2016 dated July 21, 2016 and CIR/MIRSD/120/2016 dated November 10, 2016 on Operationalisation of Central KYC (CKYC), read with AMFI Best Practice Guidelines circular No. 68/2016-17 dated December 22, 2016 and circular no. AMFI/35-P/Mem-Cor/32/2017-18 dated January 5, 2018, new individual investors investing into the Fund are requested to note the following changes, from February 1, 2017.

1. New individual investors who have never done KYC under KRA (KYC Registration Agency) regime and whose KYC is not registered or verified in the KRA system, will be required to fill the new CKYC form while investing with the Fund.
2. If any new individual investor uses the old KRA KYC form which does not have all the information needed for registration with CKYC, such investor will be required to either fill the new CKYC form or provide the missing / additional information using the Supplementary CKYC form.
3. Investors who have already completed CKYC and have a KYC Identification Number (KIN) from the CKYC Registry can invest in schemes of the Fund quoting their 14 digit KIN in the application form. Further, in case the investor's PAN is not updated in CKYC system, a self-certified copy of PAN Card will need to be provided.

#### **Updation of Permanent Account Number (PAN) for transactions in HSBC Mutual Fund**

Investors are requested to note that PAN is mandatory for all financial transactions in schemes of the Fund, with respect to all unitholders in the folio. Accordingly, any financial transactions received without PAN, in respect of non-PAN-exempt folios, shall be rejected in case the copy of the PAN card is not submitted earlier to the Fund or along with the transaction. The AMC reserves the right to keep on hold the transaction till the PAN is validated by the AMC / Registrar.

The investors who have not provided the copy of PAN card to the AMC or not completed the KYC process at the time of investing in any of the schemes of the Fund, are advised to provide a copy of self-attested PAN card by submitting 'KYC Change Request Form' which is available on our website <https://www.assetmanagement.hsbc.co.in/en/mutual-funds>.

Note: Investors are requested to submit a copy along with the original for verification at the investor service centres of the Mutual Fund/ CAMS, which will be returned across the counter. Alternatively, a distributor empanelled with the Mutual Fund can attest a copy. A true copy bearing a Bank Manager's or a Notary Public's attestation will also be accepted.

This clause does not apply to investors residing in the state of Sikkim, officials of Central Government, State Government and those appointed by the Courts e.g. Official Liquidator, Court Receiver, etc. (under the category of Government) and investors investing upto Rs. 50,000 (i.e. Micro Investments) per year (rolling 12 months period or in a financial year i.e. April to March).

Investors making Micro Investments shall, in lieu of PAN and KYC requirements, be required to furnish an attested copy (self attested/ attested by the AMFI registered distributor bearing its AMFI Registration Number) of any of the following photo identification documents and proof of address.

Voter Identity Card; (b) Driving License; (c) Government/Defense identification card; (d) Passport; (e) Photo Ration Card; (f) Photo Debit Card; (g) Employee Identity cards issued by companies registered with Registrar of Companies; (h) Photo identification issued by bank managers of scheduled commercial banks/gazetted officer/elected representatives to the Legislative Assembly/Parliament; (i) Identity card issued to employees of scheduled commercial/state/district co-operative banks; (j) Senior Citizen/Freedom Fighter identity card issued by Government; (k) Cards issued by universities/deemed universities or institutes under statutes like The Institute of Chartered Accountants of India, The Institute of Cost and Works Accountants of India, The Institute of Company Secretaries of India; (l) Permanent Retirement Account Number (PRAN) card issued to new pension system (NPS) subscribers by the central recordkeeping agency (National Securities Depositories Limited); (m) Any other photo identity card issued by Central Government/State Governments/ municipal authorities/Government organizations like Employees' State Insurance Corporation/Employees Provident Fund Organisation.

It is clarified that where photo identification documents contain the address of the investor, a separate proof of address is not required.

The aforesaid exemption shall be applicable to (i) investments only by individuals (including Non Resident Indians, but not Persons of Indian Origin), minors and sole proprietary firms; and (ii) joint holders.

#### **Mandatory updation of Permanent Account Number (PAN) & Know Your Customer (KYC) for processing of mutual fund transactions**

As per the directives issued by SEBI from time to time, it is mandatory for all unitholders to update the Permanent Account Number (PAN) and complete KYC requirements for all unit holders

- In respect of folios where PAN is not updated/available (non-PAN exempt folios), it is mandatory for all the unit holders in the folio including guardian (in case of a minor) to update PAN
- In respect of non-PAN exempt folios, it is mandatory to complete the KYC requirements for all unit holders in the folio including guardian (in case of a minor).
- In case of PAN Exempt KYC (PEKRAN) folios, it is mandatory for all the unit holders in the folio including guardian (in case of a minor) to update PEKRAN.

In view of the above, financial transactions (including redemptions, switches and all types of systematic plans) and non-financial requests will not be processed if the unit holders have not completed the above requirements.

Investors who wish to update their PAN can visit our website [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in) for online updation or submit a copy of self-attested PAN at any of the Investor Service Centres of **HSBC Asset Management (India) Private Limited** ('AMC') or the Registrar and Transfer Agent ('RTA') with a request letter quoting their folio.

For completing the KYC requirements, Unit holders are advised to use the applicable KYC Form and submit the same at the point of acceptance.

Further in case of non-PAN exempt folios, upon updating of PAN details with the KRA (KRA-KYC)/ CERSAI (CKYC), the unit holders are requested to intimate AMC/RTA their PAN information along with the folio details for updating in AMCs records.

#### **Sale, Repurchase and Switch of Units on On-going Basis**

The Units of the Scheme are available for sale, repurchase and switch at applicable NAV based prices, subject to prevalent load provisions, if any, on every business day.

##### **i) Sale (Purchase) of Units**

The Units of the Scheme will be available at the sale price, which is based on the Applicable NAV, subject to entry load if any and subject to the minimum application amount specifications. Subscriptions on an ongoing basis will be made only by specifying the amount to be invested and not the number of Units to be subscribed. The total number of Units allotted will be determined with reference to the applicable sale price and fractional Units may be created. Fractional Units will be computed and accounted for up to three decimal places for all Scheme. Fractional Units will in no way affect the investor's ability to redeem Units. The AMC reserves the right to review the terms of acceptance of subscription requests and reserves the right to change the basis for subscription from amount basis to any other basis, subject to the SEBI Regulations. Refer Section III.8 v) on 'Suspension of Sale / Repurchase / Switch of Units.'

##### **ii) Repurchase (Redemption) of Units**

The repurchase request can be made on a pre-printed form or by such other method(s) as may be acceptable to the Fund / AMC from time to time. Such request should be submitted at any of the Investor Service Centres / Designated Collection Centres.

The repurchase would be permitted to the extent of credit balance in the Unitholder's account. The repurchase request can be made by specifying the rupee amount or the number of Units to be repurchased. Repurchase requests can be made for a minimum amount of Rs. 500/- (Rupees Five Hundred only) and in multiples of Re. 1/- (Rupee One Only) or 50 units and in multiples of 0.01 units thereafter or account balance whichever is lower in case of all the Schemes of the Fund. Where a request for a repurchase is for both amount and number of Units, the amount requested for repurchase will be considered as the definitive request.

If the balance in the Unitholder's account does not cover the amount of repurchase request, then the Mutual Fund is authorised to close the account of the Unitholder and send the entire such (lesser) balance to the Unitholder. In case an investor has purchased Units on more than 1 Business Day, the Units purchased prior in time (i.e. those Units which have been held for the longest period of time), will be deemed to have been redeemed first i.e. on a First-in-First-Out basis.

Unitholders may also request for redemption of their entire holding and close the account by indicating the same to the Fund / AMC. Where however, the Unitholder wishes to redeem Units for a specified amount, then the amount to be paid on redemption will be divided by the redemption price, and the resultant number of Units will be redeemed.

In case the Units are standing in the names of more than one Unitholder, where mode of holding is specified as 'Joint', redemption requests will have to be signed by ALL joint holders. However, in cases of holding specified as 'Anyone or Survivor', any one of the Unitholders will have the power to make redemption requests, without it being necessary for all the Unitholders to sign. However, in all cases, the proceeds of the redemption will be paid to the first-named holder only. A fresh Account Statement / Transaction Confirmation will be sent to the redeeming investors, indicating the new balance to the credit in the Account.

The redemption cheque will be issued in favour of the Sole / First Unitholder's registered name and bank account number, and will be mailed to the registered address of the Sole / First holder as indicated in the original Application Form. The Fund may also directly credit the investor's bank account with the redemption

proceeds, in lieu of issue of redemption cheque. The redemption cheque will be payable at par at all the places where the Investor Service Centres are located. The bank charges for collection of cheques at all other places will be borne by the AMC.

Further, as Units may not be held by any person in breach of the Regulations, law or requirements of any governmental, statutory authority including, without limitation, Exchange Control Regulations, the Mutual Fund may mandatorily redeem all the Units (except for Units under Segregated Portfolio) of any Unitholder where the Units are held by a Unitholder in breach of the same.

The Trustees may mandatorily redeem Units (except for Units under Segregated Portfolio) of any Unitholder in the event it is found that the Unitholder has submitted information either in the application or otherwise that is false, misleading or incomplete.

If a Unitholder makes a redemption request immediately after purchase of Units, the Fund shall have a right to withhold the redemption request till sufficient time has elapsed to ensure that the amount remitted by him (for purchase of Units) is realised and the proceeds have been credited to the concerned Scheme's Account. However, this is only applicable if the value of redemption is such that some or all of the freshly purchased Units may have to be redeemed to effect the full redemption.

### iii) Switching Options

On an on-going basis, the Unitholders have the option to switch all or part of their investment from one Scheme to any of the other Scheme offered by the Fund, which is available for investment at that time, subject to prevailing load structure.

Where an investor seeks to move between the IDCW and growth alternatives within an option of the Scheme / Plan, this will not be construed as a switch. Consequently, no load will apply to such movements. Investors also have the option of switching between various Plans / Options of the same Scheme. To effect a switch, a Unitholder must provide clear instructions. A request for a switch may be specified either in terms of amount or in terms of the number of Units of the Scheme from which the switch is sought. Where a request for switch is for both amount and number of Units, the amount requested will be considered as the definitive request. Such instructions may be provided in writing and lodged on any Business Day at any of the Investor Service Centres / Designated Collection Centres.

The switch will be effected by redeeming units from the Scheme in which the units are held and investing the net proceeds in the other Scheme / Plans / Options, subject to the minimum balance, minimum application amount and subscription / redemption criteria applicable for the respective Scheme.

Valid requests for 'switch out' shall be treated as redemptions and for 'switch in' shall be treated as purchases, after considering any prevalent exit and entry loads or a combination thereof for switches. A switch by NRI / FPI Unitholders will be subject to the compliance of procedures and / or final approval of the Reserve Bank of India or and any other agency, as may be required.

The AMC reserves the right to charge different (including zero) loads on Applicable NAV on switchover as compared to the sale/repurchase as the case may be.

In view of the individual nature of tax impact, each investor is advised to consult his or her own tax consultant with respect to the capital gains / loss and specific tax implications arising out of switches and redemptions.

## B. ONGOING OFFER DETAILS

### Ongoing Offer period

*(This is the date from which the scheme will reopen for subscriptions / redemptions after the closure of the NFO period).*

The Scheme will reopen within 5 business days of allotment.

### Ongoing price for subscription (purchase) /switch-in (from other Schemes / Plans of the Fund) by investors (Sale Price)

*This is the price an investor needs to pay for purchase/switch-in.*

The investor can subscribe to the units of the Scheme at the NAV based prices.

**Note:** Purchase/Switch-in is not allowed under Segregated Portfolio. However, the unit of Segregated Portfolio will be listed on the recognized Stock Exchange.

### Ongoing price for redemption (sale) / switch outs (to other Schemes / plans of the Mutual Fund) by investors (Repurchase Price)

*This is the price an investor will receive on redemptions / switch outs.*

Investors may submit their redemption / switch out request on any Business Day. The redemption will be processed as per the cut off timing and desired amount / units will be redeemed at the Applicable NAV on such date after charging applicable Exit Load, if any.

**Note:** Repurchase / Redemptions including Switch-outs for Segregated Portfolio is not allowed. However, the unit of Segregated Portfolio will be listed on the recognized Stock Exchange.

While calculating the repurchase price, the Fund shall be at liberty to charge a load as permitted under SEBI Regulations. The Repurchase Price of the Units as per current SEBI Regulations shall not be lower than 95% of the Applicable NAV. The Fund also has the right to charge a different load and therefore a different repurchase price for investors who want to switch over to other eligible Schemes of the Fund.

The repurchase price of the Units, on an ongoing basis, is based on the Applicable NAV. As per SEBI Regulations, an exit load upto a maximum of 5% may be charged for all redemptions under the Plans / Options available under the Scheme.

It will be calculated as follows:

$$\text{Repurchase Price} = \text{Applicable NAV} * (1 - \text{Exit Load, if any})$$

#### Example

If the Applicable NAV is Rs. 15 and the exit load applicable is 0.5%, the repurchase price is calculated as follows:

$$\begin{aligned} \text{Repurchase Price} &= 15 * (1 - 0.005) \\ &= 15 * 0.995 \\ &= 14.925 \end{aligned}$$

**Note:** Repurchase / Redemptions including Switch-outs for Segregated Portfolio is not allowed. However, the unit of Segregated Portfolio will be listed on the recognized Stock Exchange, provided that the difference between the repurchase price and the sale price of the Units shall not exceed the permissible limit of 5% calculated on the sale price.

### Cut off timings for subscriptions / redemptions / switch-ins / switch-outs

This is the time before which an investor's application (complete in all respects) should reach the official points of acceptance.

The cut off timings for determining applicable NAVs for subscriptions / redemptions / switch-ins / switch-outs to be made at the Investor Service Centres / Designated Collection Centres (designated as 'Official Points of Acceptance' from time to time) are as per the following table:

Scheme / Plan	Subscription	Redemption	Switch In	Switch Out
HSBC Multi Asset Allocation Fund	3.00 p.m.	3.00 p.m.	3.00 p.m.	3.00 p.m.

Where a request for redemption / switch is received after the cut-off time as mentioned above, the request will be deemed to have been received on the next Business Day.

#### i) Applicable NAV for Sale of Units

Particulars	Applicable NAV
where the application is received upto 3:00 p.m. on a day and funds are available for utilization before the cut-off time	the closing NAV of the day of receipt of application
where the application is received after 3:00 p.m. on a day and funds are available for utilization on the same day	the closing NAV of the next business day

#### Allotment of Units

For allotment of units in respect of purchase in the Scheme, it shall be ensured that:

- Application is received before the applicable cut-off time.
- Funds for the entire amount of subscription / purchase as per the application are credited to the bank account of the Scheme before the cut-off time.
- The funds are available for utilization before the cut-off time without availing any credit facility whether intra-day or otherwise, by the Schemes.

For allotment of units in respect of switch-in to the Scheme from other schemes, it shall be ensured that:

- Application for switch-in is received before the applicable cut-off time.
- Funds for the entire amount of subscription / purchase as per the switch-in request are credited to the bank account of the Scheme before the cut-off time.
- The funds are available for utilization before the cut-off time without availing any credit facility whether intra-day or otherwise, by the Scheme.

The Mutual Fund shall calculate NAV for each business day in respect of the above scheme / plan(s).

**Explanation:** 'Business day' does not include a day on which the money markets are closed or otherwise not accessible.

Further, it may be noted that:

- Where funds are transferred / received first and application is submitted thereafter, date and time of receipt of the application shall be considered for NAV applicability
- In case of systematic transactions, NAV will be applied basis realization of funds in the scheme account. This shall be applicable for all Systematic transactions (Systematic Investment Plans as well as for Systematic Transfer Plans) irrespective of amount and registration date of the systematic transactions.

#### ii) Applicable NAV for Repurchase of Units

Particulars	Applicable NAV
where the application is received upto 3.00 pm	closing NAV of the day of receipt of application
where the application is received after 3.00 pm	closing NAV of the next business day.

The Mutual Fund shall calculate NAV for each business day in respect of the above scheme / plan(s) and their plans.

Valid applications for 'switch-out' shall be treated as applications for Redemption and valid applications for 'switch-in' shall be treated as applications for Purchase, and the provisions of the Cut-off time, purchase / redemption price, minimum amounts for Purchase / Redemption and the Applicable NAV as applicable to Purchase and Redemption, as mentioned in above paragraph, shall be applied respectively to the 'switch-in' and 'switch-out' applications.

Note: Repurchase / Redemptions including Switch-outs for Segregated Portfolio is not allowed. However, the unit of Segregated Portfolio will be listed on the recognized Stock Exchange.

#### Where can the applications for purchase / redemption / switches be submitted?

The applications, filled up and duly signed by the applicants may be submitted at the office of the Collection Centres / ISCs / Official Points of Acceptance. Details of official points of acceptance of Branches of AMC and CAMS are provided on back cover page of this SID.

#### Minimum Application / Purchase Amount / Minimum Additional Investment Amount / Minimum Amount for Redemption / Switches

Minimum Application Amount	Additional investment	Minimum Redemption/ Switch Amount
Rs. 5,000/- per application and in multiples of Re. 1/- thereafter	Rs. 1,000/- per application & in multiples of Re. 1/- thereafter	Rs. 500 in multiples of Re.1 or 50 Units in multiples of 0.01 units thereafter.

The AMC reserves the right to change the minimum application / purchase amount, the minimum additional investment amount and the minimum amount for Redemption / Switches under the Scheme / Plan(s) / Option(s) from time to time.

#### Minimum balance to be maintained and consequences of non maintenance

There is no minimum balance requirement. However, the Fund may close the Unitholder's account if as a consequence of a redemption/repurchase, the balance falls below the minimum redemption amount as mentioned above for the scheme. In such a case, entire Units to the Unitholder's account will be redeemed at the Applicable NAV with the applicable Load, if any, and the account will be closed.

#### Special Products / Facilities available/offered to the investors under the Scheme

##### (1) HSBC Systematic Investment Plan (HSBC SIP)

Unitholders of the Scheme can benefit by investing specific rupee amounts periodically, for a continuous period. SIP allows the investors to invest a fixed amount every month or quarter for purchasing additional Units of the Scheme at NAV based prices. The requirement of 'Minimum Amount for Application' will not be applicable in case of SIPs.

In case an investor wishes to invest through the SIP mode, the investor is required to provide:

a mandate form to enable SIP debits either through NACH or such other facilities as may be provided by the AMC along with a copy of the cancelled cheque leaf with name of the unit holder pre-printed.

For details on minimum investment amount and minimum instalments refer to the table below:

Frequency	Minimum Amount	Minimum installments#	Dates
Weekly	Rs. 500 and in multiples of Re. 1/- thereafter	12 installments	Any Dates
Monthly	Rs. 500 and in multiples of Re. 1/- thereafter	—	
Quarterly	Rs. 1,500 and in multiples of Re. 1/- thereafter	4 installments	

#Minimum Aggregate Investment – Rs. 6,000/- and in multiples of Re. 1/- thereafter.

### **National Automated Clearing House (NACH):**

NACH is a simple and convenient facility that enables the Unit holders to transact in the Schemes of the Fund by submitting a debit Mandate registration form to the Fund. By registering this mandate, you authorise the specified bank to debit the said maximum amount per day, towards investment in HSBC Mutual fund.

Investor has the option to choose any date for SIP, if the choice of date is not indicated then default date of SIP shall be considered as 10th of the month/quarter. In case the chosen/default date falls on a Non-Business Day or on a date which is not available in a particular month, the SIP will be processed on the immediate next available Business Day. If the choice of date selected is more than one date then the SIP instalment will be processed only for Business Days when NAV is available. No SIP instalment shall be processed for Saturday, Sunday or any other non-business day.

From date & To date is mandatory to be provided by the investor in the NACH mandate. However, the maximum duration for enrolment is 30 yrs from the date of the NACH Mandate registration. If the investor has mentioned End date or To Date which is greater than 30 yrs then the NACH registered is liable to be rejected

The cheques should be drawn in the name of the Scheme e.g. "HSBC Multi Asset Allocation Fund" and crossed "Account Payee only" and must be payable at the locations where the applications are submitted at the Investor Service Centres. Outstation cheques will not be accepted and applications accompanied by such cheques are liable to be rejected. In case of investments under the SIP, if 2 or more consecutive post dated cheques / payment instructions provided by the investor are dishonored for either insufficiency of funds or as a result of a stop payment instruction issued by the investor, the AMC reserves the right to discontinue the SIP. Investors can discontinue a SIP at any time by sending a written request to any Official Point of Acceptance or to the registrar CAMS. Notice of such discontinuance should be received at least 21 calendar days prior to the due date of the next instalment / debit. The AMC reserves the right to introduce / discontinue SIP / variants of SIP from time to time.

The Mutual Fund may have arrangements with organisations to accept group SIPs whereby the employees of such organisations can opt for a direct deduction from their salary and invest in the Scheme of the Mutual Fund in which the SIP facility is available. The Mutual Fund will decide the terms and conditions on which such group SIPs would be made available.

### **SIP Top Up Facility:**

Under this facility, the investor can opt to increase the amount of SIP instalment ("Top Up") on a half-yearly or annual basis; thus the investment amount under SIP will increase every half year / annually by the amount of Top Up specified by the investor.

The Top Up facility will be available in respect of all schemes of the Fund which offers SIP. The conditions for availing the Top Up facility are stated below:

- i) Top Up facility will be available only for valid new registration(s) under SIP or renewal of SIP;
- ii) Top Up facility will be available only for investments under SIP effected through auto – debit;
- iii) Amount of Top Up shall be in multiples of Rs. 500;
- iv) Top Up can be done on a half yearly / annual basis;
- v) Top Up Facility will not be available for investments under SIP where the auto debit period has not been indicated by the investor at the time of investments.
- vi) Unit holders have the option of indicating the threshold in terms of amount or the date up to which the Top Up will

continue. On reaching the threshold, Top Up with respect to the SIP concerned shall cease and SIP instalments will continue at the amount which was invested last, for such period as may be specified in the SIP application form.

The Top Up facility will be available for investments under SIP done through the website of the Fund

### **Multi Scheme Systematic Investment Plan:**

This facility enables investors to start investments under SIP of various schemes using a single application form and payment instruction.

Any Unit Holder can avail of this facility subject to certain terms and conditions detailed in the Multi Scheme SIP Investment Form ("the Form") available at the ISC's of the AMC and also at the website of the Fund viz; [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in).

All provisions as applicable to investments under the SIP facility will be applicable to this facility in addition to those stated below as these are specific to this facility. In case any of the provisions stated below are in conflict with the provisions of the SIP, then the below mentioned provisions will prevail:

- i) Under this facility, payment only in respect of the first installment can be made using a cheque.  
The payment for all the subsequent installments will have to be through the auto-debit facility provided by the banks.
- ii) The maximum number of schemes in which investments can be made using a single Form shall be 3.
- iii) The facility is available only to those investors who wish to invest under SIP of more than one scheme using a single application form.
- iv) Investments through the facility can be made only on a monthly basis.
- v) The date of investments under SIP in respect of all schemes registered by the investor through the facility should be uniform. However, the amount of investments in the schemes through the facility can be different subject to the requirement of minimum amount of investment.
- vi) Investments under SIP through the facility can be made for a maximum period of 20 years from the date of 1st installment  
If the maximum period for investments under SIP through the facility is not indicated by the investor, the auto debit will continue till further instructions from the investor to discontinue the SIP subject to a maximum period of 20 years from the date of 1st installment.
- vii) Any modifications to the details indicated in the Form at the time of registration under the facility can be made only after completion of 6 months from date of 1st installment subject to compliance with the requirements of minimum number of installments under SIP. All the modifications will be effected within a period of 30 days from date of request by the investor.

### **SIP Pause Facility ("SIP Pause Facility")**

SIP Pause Facility enables the investors to pause their investments under the Systematic Investment Plan. Under this facility, the investors have an option to pause their investment for a fixed period of time which is a minimum of 1 month and a maximum of 3 months. The terms and conditions for availing the SIP Pause facility are stated below:

- i) SIP Pause Facility will allow investors to pause their investments under SIP for a minimum period of 1 month and a maximum period of 3 months.
- ii) Investors can avail the SIP Pause Facility only once during the tenure of the investment under SIP in a folio.



- iii) SIP Pause Facility can be availed only if the frequency of investment under SIP is monthly.
- iv) Investments under SIP shall resume immediately after the completion of the pause period indicated by the investor.
- v) In case of investments under SIP done through postdated cheque, basis the request for availing of the SIP Pause Facility, the cheque for the period for which the SIP Pause Facility is availed, shall be returned to the investor at the address available in the records.
- vi) For availing the SIP Pause Facility, a notice of at least 30 days prior to the date of the subsequent investment under SIP shall be required.

**Investment transactions (Lumpsum and SIPs) upto Rs. 50,000/- exempt from Permanent Account Number (PAN)**

In accordance with SEBI letter no. MRD/DoP/PAN/PM/166999/2009 dated June 19, 2009 issued to Association of Mutual Funds in India (AMFI), guidelines issued by AMFI vide its circular no. 35P/MEM-COR/4/09-10 dated July 14, 2009 and subsequent guidelines issued by SEBI vide letter No. OW/16541/2012 dated July 24, 2012 in this regard, lumpsum SIPs upto Rs. 50,000/- per year per investor i.e. aggregate of investments in a rolling 12 month period or in a financial year i.e. April to March (hereinafter referred to as “Micro financial products (MFP)”) shall be exempted from the requirement of PAN. This exemption shall be applicable only to investments by individuals (including NRIs but not PIOs), Minors and Sole proprietary firms including joint holders. HUFs and other categories of investors will not be eligible for this exemption. MFP investors will require to be KYC compliant by submitting requisite documents and obtaining KYC compliance by undergoing the uniform KYC process applicable for securities markets.

Investors are advised to refer to the uniform KYC process and form to comply with the KYC requirement.

While making subsequent MFP applications with a mutual fund, investor can quote the existing folio number where a MFP has been registered and therefore need not resubmit the supporting document. The MFP application will be rejected by the AMC where it is found that the registration of the application will result in the aggregate of MFP investments in a financial year exceeding Rs 50,000 or where there are deficiencies in the documents submitted by the investors in lieu of PAN as mentioned above. The rejected application will be sent back to the investor with a deficiency memo. In case the first MFP -SIP installment is processed (as the cheque may be banked), and the application is found to be defective, the MFP - SIP registration will be ceased for future installments. No refunds shall be made by the AMC for the units already allotted and a communication to this effect will be sent to the investors. However, investors shall be allowed to redeem their investments at applicable NAV.

**(2) Systematic Withdrawal Plan (SWP)**

Unitholders have the benefit of enrolling themselves under the Systematic Withdrawal Plan. The SWP allows the Unitholder to withdraw sums of money each month / quarter / half-year / annual basis from his investments in the Scheme. SWP is ideal for Unitholders seeking a regular inflow of funds for their needs in a tax efficient manner. It is also suited to retired persons or individuals who wish to invest a lumpsum and withdraw from the investment over a period of time. The Unitholder may avail of this Plan by sending a written request to the Registrar / submit a request online.

The amount thus withdrawn by redemption will be converted into Units at the Applicable NAV based prices and the number of Units so arrived at will be subtracted from the Unit balance to the credit of that Unitholder. The SWP transaction can be

effected on any day of the month for fixed amount option and the payout will be as per the payout schedule of the Scheme. In case the chosen date falls on a Non-Business Day or on a date which is not available in a particular month, the SWP will be processed on the immediate next available Business Day. If the choice of date selected is more than one date then the SWP installment will be processed only for Business Days when NAV is available. No SWP installment shall be processed for Saturday, Sunday or any other non-business day. In case where no SWP date is indicated by the investors 10th shall be treated as the Default Date. However, in case of Capital Appreciation the SWP will be processed only on the 1st Business day of the month. The Fund may close a Unitholder’s account if the balance falls below Rs 1,000/- in the respective Options / sub-options within 30 days from the date on which a written intimation in this regard is sent to the Unitholder.

The SWP may be terminated or modified on a written notice to the Registrar of at least 14 days by a Unitholder of the Scheme and it will terminate automatically if all Units are liquidated or withdrawn from the account by the Unitholder.

**Under SWP, investors can opt for withdrawal of a Fixed Amount or the Capital Appreciation on their investment (for a minimum period of 3 months).**

Under the Fixed Amount Option, the investor specifies the fixed amount that he would like to receive on a regular basis irrespective of the gain / loss on the Fund in the specified period. The minimum amount which the Unitholder can withdraw is Rs. 500/- (Rupees Five Hundred only) and in multiples of Re. 1/- or 50 units and in multiples of 1 unit. thereafter.

The Capital Appreciation Option allows the automatic redemption of the incremental amount i.e. appreciation on the original investment. For example, if the appreciation on the initial investment in a period is Rs. 5000/- and Rs. 4500/- in the next period, then the investor would receive only the appreciation i.e. Rs. 5000/- and Rs. 4500/- in the respective periods. The minimum amount in rupees for withdrawal under the SWP facility shall be Rs. 500/-. Unitholders should note that in the event of there being no capital appreciation, no withdrawal / payment would be effected.

If your SWP request specifies both amount and units, the SWP will be processed on the basis of amount.

If the scheme / plan / option is not mentioned and there is only one scheme / plan / option available in the folio, the same will be processed.

If no debit date is mentioned default date would be considered as 10th of every month / quarter.

In case the criterion of the minimum amount for the purpose of transfer of units under the SWP facility is not met, the AMC reserves the right to discontinue the SWP and cancel the registration for SWP.

The AMC reserves the right to introduce / discontinue SWP from time to time.

**Money Withdrawal Facility (MWF):**

Money Withdrawal Facility (MWF) is the nomenclature of the facility and should not be construed as an assurance of returns / performance of the Scheme.

This facility will enable the Unit Holders to redeem a fixed sum of money at a fixed frequency as per the prevailing NAV, subject to exit load, if applicable, depending on the option chosen by the Unit Holder. Under this facility Unit Holders can redeem amounts under both the Plans (Direct and Regular) of the Growth and IDCW Payout option of the Scheme.

Some of the features of the facility are as follows:

- i. Investor can opt for this facility and withdraw their investments systematically on a monthly basis.

- ii. The withdrawal from growth option can be made on a monthly basis on any date of the month as selected by the investor.

In case of IDCW payout option, withdrawal will be effected on 28th of the month.

In case such dates fall on a non-business day, then it would be processed on next business day.

- iii. The withdrawals will commence from the start date mentioned by the Unit Holder in the Application Form for the facility in line with the provisions of point ii. above. Unit holders are however, required to submit Money-Back facility request at least 15 days prior to the date of 1st instalment.

- iv. The percentage available for monthly redemption will be 0.60% or 0.75% on the amount mentioned by the investor for Money-Withdrawal instalment under the Facility and will be rounded-off to the nearest highest multiple of Re. 1/-.

- v. The minimum amount of each Withdrawal shall be Rs. 500.

- vi. The minimum current value of investment required for availing the said facility shall be Rs. 1 (one) Lakh.

- vii. The minimum instalments for withdrawal under this facility shall be 6 (six).

- viii. In case the details of Money Withdrawal date, Money Withdrawal period, percentage available for Money Withdrawal are not indicated, the following shall be the default for growth options:

- Money Withdrawal Facility date: 10th day of every month or next business day in case 10th day is a non-business day.
- Money Withdrawal period: The Money Withdrawal Facility will continue till further instructions to the AMC / Registrar to discontinue the facility, subject to availability of units in the Scheme.
- Percentage available for Money Withdrawal: 0.60%

- ix. In IDCW payout option, every month Investor will receive either redemption through Money Withdrawal Facility or payment of dividend. Accordingly, Money Withdrawal Facility shall not be processed for a particular month in which record date for payment of dividend is fixed before 28th of the said month and Distributable surplus is available on record date for payment of dividend.

- x. If in the course of withdrawal from the Scheme, the balance units/amount available under the Scheme falls below the minimum redemption size requirement, all units in the Scheme would be redeemed.

Accordingly, the facility will be terminated automatically if no balance is available in the Scheme on the date of instalment trigger or if the enrolment period expires, whichever is earlier.

In case there is a residual current value of investment amount which is less than the installment amount, the same would be processed as the last installment.

- xi. Unit holders may change the amount indicated in the Money Withdrawal Facility, subject to the above conditions mentioned, by giving appropriate written notice to the Registrar / AMC.

- xii. The investor will have the right to discontinue the Money Withdrawal Facility at any time, by submitting a written cancellation request at least 15 calendar days in advance.

- xiii. This facility is not available for investor having investments / units in demat mode. If the investor gives a request to dematerialize the existing units in the folio, such request will automatically cancel the existing Money Withdrawal Facility registration.

- xiv. If no schemes are selected or investor has opted for multiple schemes, the AMC reserves the right to reject the Money Withdrawal Facility request.

- xv. In case of any ambiguity or incorrect or illegible details in the form, the AMC reserves the right to reject the request.

- xvi. The AMC reserves the right to amend / terminate this facility at any time, keeping in view business / operational exigencies and the same shall be in the best interest of the investors.

### (3) Systematic Transfer Plan (STP)

Unit holders of the Scheme can benefit by transferring specific rupee amounts periodically, for a continuous period. STP allows the investors to transfer a fixed amount or capital appreciation every month to a particular Scheme at NAV based prices. Investors can opt for the Systematic Transfer Plan by investing a lumpsum amount in any HSBC open ended fund and providing a standing instruction to transfer sums at monthly intervals (for a minimum period of 3 months) into any open ended Equity Schemes of the HSBC Mutual Fund. Investors could also opt for STP from an existing account by quoting their account / folio number. Investors could choose to specify the fixed sum to be transferred every month or opt for capital appreciation option to automatically transfer the incremental amount i.e. appreciation on the original investment. The minimum amount which the Unit holders can transfer is Rs. 500/- (Rupees Five hundred Only) and in multiples of Re. 1 (Rupee One Only) thereafter. Unit holders should note that in the event of there being no capital appreciation, no transfer would be affected.

Transfers would be effected on any date as indicated by the investor in case of Fixed Amount Option. If these dates fall on a holiday, the transaction will be effected on the next Business Day. If the choice of date selected is more than one date then the STP instalment will be processed only for Business Days when NAV is available. No STP instalment shall be processed for Saturday, Sunday or any other non-business day. Transfers must be for a minimum amount of Rs. 1,000/- per month. In case of STP if the choice of date for the instalment is not indicated by the investor, the instalment of STP will be processed on the every month. For Capital Appreciation option the STP will be processed only on the 1st Business day of the month. STP will come into effect within 10 days from the date of receipt of application.

If your STP request specifies both amount and units, the STP will be processed on the basis of amount.

If the scheme / plan / option is not mentioned and there is only one scheme / plan / option available in the folio, the same will be processed.

If no debit date is mentioned default date would be considered as 10th of every month / quarter. If the day for Weekly STP is not selected, Wednesday will be the default day.

In case the criterion of the minimum amount for the purpose of transfer of units under the STP facility is not met, the AMC reserves the right to discontinue the STP / cancel the registration for STP.

Daily STP is available only for fixed amounts.

The STP may be discontinued on a written notice to the Registrar of at least 14 days by a unit holder of the Scheme. The AMC reserves the right to introduce / discontinue STP / variants of STP from time to time.

**SIP / STP in Direct Plan** - Investors who had registered for SIP / STP facility prior to January 1, 2013 (i.e. before introduction of Direct Plan) with distributor code and now wish to invest their future instalments into the Direct Plan, shall make a written request to the Fund in this behalf. The Fund will take at least 15 days to process such requests. Intervening instalments will continue in the existing Plan. However, investors who had

registered for STP facility prior to this date with distributor code and wish to invest under the Direct Plan through this facility shall cancel their existing STP and register afresh.

In case of SIP / STP facility registered prior to January 1, 2013 without any distributor code, instalments falling on or after this date are being automatically processed under the Direct Plan. In all cases, the terms and conditions of the registered enrolment will continue to apply.

#### **Income Distribution cum Capital Withdrawal Plan Transfer Facility**

Under this facility, the Unit holder/investor can opt to transfer the amount of IDCW the Unit holder / investor is eligible to receive under the Scheme ("Source Scheme") to any other open-ended scheme of the Fund ("Target Scheme").

The above Facility will be available in the IDCW options under all the open-ended schemes of the Fund except HSBC ELSS Tax saver Fund wherein the said schemes can only be the Source Scheme (subject to completion of lock - in on units where applicable) and not Target Scheme.

#### **The conditions for availing the above facility are stated below:**

- i. Unit holders/investors will be eligible for the above facility only if the amount of IDCW (as reduced by the amount of applicable statutory levy) ("IDCW") in the Source Scheme is more than Rs. 100. In case the amount of IDCW, is less than or equal to Rs. 100 per folio, the same will get compulsorily reinvested in the Source Scheme as per the applicable NAV.
- ii. The allotment of units in the Target Scheme will be done as per the applicable NAV of the Business Day immediately succeeding the record date for declaration of the dividend in the Source Scheme.
- iii. The registration and cancellation of the above facility will be completed within a period of 7 days from the date of receipt of request from the Unit holders/ investors at the Investor Service Centres.
- iv. Unless otherwise specified, the amount of IDCW under the above facility will by default be invested in the growth option of the Target Scheme as per the plan (Direct / Regular) opted for by the unit holder / investor at the time of registering for the Facility.
- v. The said facility will not be available in respect of units which are held in the dematerialized mode.
- vi. If the Unit holder / investor opts for the Transfer of IDCW, then any IDCW declared under the Source Scheme (except as stated in point i above) will mandatorily be transferred to the Target Scheme irrespective of the option (IDCW payout / IDCW re-investment) selected in the Source Scheme at the time of making investment.
- vii. If a unit holder / investor has opted for the IDCW payout option in the Source Scheme at the time of investment and registers for the Transfer of IDCW, the default option for IDCW in the Source Scheme shall be changed to re-investment at the time of registration of the Transfer of IDCW.
- viii. The provisions pertaining to "Minimum Initial Application Amount" and "Minimum Additional Application Amount" in respect of the Target Scheme will not be applicable for investments made through the above Facility. However, if, upon processing of redemption / switch in the Target Scheme, the balance units/amount available under the Target Scheme falls below its minimum redemption size requirement, all units in the Target Scheme would be redeemed/switched-out.
- ix. Units allotted under the above facility will be subject to exit load as per the provisions specified in the Scheme Information Document of the Target Scheme.

#### **(4) Facilitating transactions through Stock Exchange Mechanism (BSE Star & NSE MFSS)**

In terms of para 16.2 of SEBI Master Circular on Mutual Funds dated May 19, 2023, units of the Scheme can be transacted through all the registered stock brokers of the National Stock Exchange of India Limited and / or Bombay Stock Exchange Limited who are also registered with Association of Mutual Funds of India and are empanelled as distributors with AMC. Accordingly such stock brokers shall be eligible to be considered as 'official points of acceptance' of AMC. International Security Identification Numbers (ISIN) in respect of the plans / options of the Scheme have been created and have been admitted to National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and can be transacted using the beneficiary accounts maintained with any of the respective Depository Participants (DPs). The units will be allotted in the physical or depository mode in accordance with the choice of the investor. The facility of transacting in mutual fund schemes through stock exchange infrastructure is available subject to such limits, operating guidelines, terms and conditions as may be prescribed by the respective Stock Exchanges from time to time. The investor shall be serviced directly by such stock brokers / Depository Participant. The Mutual Fund will not be in a position to accept any request for transactions or service requests in respect of Units bought under this facility in demat mode. Further, the minimum purchase / redemption amount in the respective plan / option of such notified Schemes of the Fund will be applicable for each transaction. Investors transacting in the Units of the Schemes will be subject to KYC formalities carried out by the DP. Applicable NAV shall be reckoned on the basis of the time stamping as evidenced by confirmation slip given by the stock exchange mechanism. The allotment and redemption of Units on any Business Day with respect to transactions carried out through this mechanism will depend upon the order processing / settlement by exchange and its respective clearing corporation. A Demat statement provided by the DP in such form and manner and at such time as agreed with the DP, shall be equivalent to an Account Statement. For any grievance with respect to transactions through BSE/NSE, the investors should approach the investor grievance cell of BSE/NSE or their DP.

Payment of redemption proceeds to the trading / clearing members by AMC / its Registrar shall discharge AMC of its obligation of payment of redemption proceeds to individual investor. Similarly, in case of purchase of units, crediting units into trading / clearing member pool account shall discharge AMC of its obligation / to allot units to individual investor.

Further, in accordance with para 16.2.12 of SEBI Master Circular on Mutual Funds dated May 19, 2023, investors can also directly access infrastructure of the recognised stock exchanges to purchase and redeem mutual fund units directly from Mutual Fund / Asset Management Companies.

Note: These Special Products / Facilities will not be available under Segregate Portfolio.

#### **Account Statement (for investors holding units in physical mode)**

An applicant in a scheme whose application has been accepted shall have the option either to receive the statement of accounts or to hold the units in dematerialised form and the asset management company shall issue to such applicant, a statement of accounts specifying the number of units allotted to the applicant or issue units in the dematerialized form as soon as possible but not later than five working days from the date of receipt of the application.

An allotment confirmation specifying the number of units allotted will be sent to the unit holders' by way of email and/or SMS to the registered e-mail address and/or mobile number, within 5 Business Days from the date of allotment and/or from the date of receipt of

the request from the unit holders'. In case of any specific request received from the unit holder(s), the AMC/Fund will provide the account statement to the unit holder(s) within 5 Business Days from the receipt of such request.

A statement of holding indicating the units held by the investors in the Segregated Portfolio along with the NAV of both Segregated Portfolio and Main Portfolio as on the day of the Credit Event shall be communicated to the investors within 5 working days of creation of the Segregated Portfolio.

A Consolidated Account Statement (CAS) for each calendar month shall be sent by email on or before 15th of the succeeding month to those unit holders in whose folio(s), transactions\* have taken place during the month and have provided a valid Permanent Account Number (PAN). In the event that the registered email address of the unit holder is not available with the Fund, the CAS will be sent as a physical statement. CAS shall contain details relating to all transactions\* carried out by the Unitholder across schemes of all mutual funds during the month, holdings at the end of the month and transaction charges paid to the distributor, if any.

For the purpose of sending CAS, common Unitholders' across mutual funds shall be identified by their PAN. In the event that the folio has more than one registered Unitholder, the first named holder will receive the CAS. The CAS shall not be received by those Unitholders whose folio(s) are not updated with PAN details. Unitholders are therefore requested to ensure that each of their folio(s) are updated with their PAN details. In case a specific request is received from the Unitholder, the AMC / Fund will provide the account statement to the unit holder(s) within 5 Business Days from the receipt of such request. The CAS issued to investors shall also reflect the total purchase value / cost of investment in each schemes.

Further, CAS detailing holding of investments across all schemes of all mutual funds at the end of every six months (i.e. September/ March) shall be sent by mail/email on or before 21st day of succeeding month as the case may be, to all such Unit holders in whose folios no transactions have taken place during that period. The half yearly CAS will be sent by e-mail to the Unit holders whose e-mail address is available, unless a specific request is made to receive in physical.

Further, CAS issued for the half year (September / March) shall also provide:

- a) The amount of actual commission paid by AMCs/Mutual Funds (MFs) to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each MF scheme. The term "commission" here refers to all direct monetary payments and other payments made in the form of gifts / rewards, trips, event sponsorships etc. by AMCs/MFs to distributors. Further, a mention may be made in such CAS indicating that the commission disclosed is gross commission and does not exclude costs incurred by distributors such as GST (wherever applicable, as per existing rates), operating expenses, etc.
- b) The scheme's average Total Expense Ratio (in percentage terms) for the half-year period for each scheme's applicable plan, where the concerned investor has actually invested in.

Such half-yearly CAS shall be issued to all MF investors, excluding those investors who do not have any holdings in MF schemes and where no commission against their investment has been paid to distributors, during the concerned half-year period.

\* The word 'transaction' includes purchase, redemption, switch, payout of IDCW, reinvestment of IDCW, SIP, STP, SWP, and bonus transactions.

### **Allotment Advice (for investors holding units in dematerialised mode)**

An Allotment advice will be sent upon allotment of Units stating the number of Units allotted to each of the Unit holder(s) who have opted for allotment in dematerialized mode within 5 working days from the

date of allotment. The Units allotted will be credited to the DP account of the Unit holder as per the details provided in the application form.

Units in dematerialized form shall be issued to a unit holder in a scheme within two working days of the receipt of request from the unit holder.

For SIP transactions, Units will be credited to the investors demat account on a weekly basis upon realization of funds. Units will be allotted as per Applicable NAV for subscriptions / purchases as mentioned in the SID.

Units in dematerialized form shall be issued to a unit holder in a scheme within two working days of the receipt of request from the unit holder

Dematerialisation / Rematerialization of Units, if any will be in accordance with the provisions of SEBI (Depositories & Participants) Regulations, 2018 as may be amended from time to time.

All Units will rank pari passu among Units within the same Option / Sub-Option, i.e. either the Income Distribution cum capital withdrawal Sub-Option or the Growth Sub-Option, as to assets, earnings and the receipt of dividend distributions, if any, as may be declared by the Trustees. Allotment of Units and despatch of Account Statements to NRIs / FPIs will be subject to RBI's general permission dated 30 March, 1999 to mutual funds, in terms of Notification no. FERA.195/99-RB or such other notifications, guidelines issued by RBI from time to time.

### **Receiving Account Statement / Correspondence by e-mail**

The Mutual Fund will encourage the investors to provide their e-mail addresses for all correspondence. The Mutual Fund's website may facilitate request for Account Statement by Unitholders. The Mutual Fund will endeavour to send Account Statements and any other correspondence including Annual Reports using e-mail as the mode for communication as may be decided from time to time.

The Unitholder will be required to download and print the Account Statement after receiving the e-mail from the Mutual Fund. Should the Unitholder experience any difficulty in accessing the electronically delivered Account Statement, the Unitholder shall promptly advise the Mutual Fund to enable the Mutual Fund to make the delivery through alternate means. Failure to advise the Mutual Fund of such difficulty within 24 hours after receiving the e-mail will serve as an affirmation regarding the acceptance by the Unitholder of the Account Statement.

In case an investor who has provided an e-mail address and opted for electronic mode of receipt of account statements and other updates wishes to change over to the physical mode, he would need to provide a written request to any of our official points of acceptance. Please note that such a request will be treated as a non financial transaction and processed within 3 - 5 business days from the date of submission.

It is deemed that the Unitholder is aware of all security risks including possible third party interception of the Account Statements and content of the Account Statements becoming known to third parties.

Under no circumstances, including negligence, shall the Mutual Fund or anyone involved in creating, producing, delivering or managing the Account Statements of the Unitholders, be liable for any direct, indirect, incidental, special or consequential damages that may result from the use of or inability to use the service or out of the breach of any warranty. The use and storage of any information including, without limitation, the password, account information, transaction activity, account balances and any other information available on the Unitholder's personal computer is at the risk and sole responsibility of the Unitholder.

### **Dividends and Distributions**

As per para 11.4 of SEBI Master Circular on Mutual Funds dated May 19, 2023 or as amended from time to time, the AMC shall dispatch payment of the dividend proceeds within 7 working days from the record date. The dividend proceeds may be paid by way of dividend

warrants / direct credit / EFT / ECS Credit / NEFT / RTGS / Wired Transfer / any other manner through the investor's bank account specified in the Registrar's records. The AMC, at its discretion at a later date, may choose to alter or add other modes of payment.

Further, in case of units held in dematerialized form, based on the list provided by the Depositories (NSDL / CDSL) giving the details of the demat account holders and the number of Units held by them in demat form on the Record date, the Registrars & Transfer Agent will pay the dividend proceeds by forwarding a dividend warrant or directly crediting the bank account linked to the demat account depending on the mode of receipt of dividend proceeds chosen by the Unit holder.

### **Delay in payment of dividend proceeds**

As per para 11.4 of SEBI Master Circular on Mutual Funds dated May 19, 2023 or as amended from time to time, the AMC shall dispatch payment of the IDCW proceeds within 7 working days from the record date. However, in the event of failure to despatch / credit the dividend proceeds within the above time, interest @15% per annum or such rate as may be specified by SEBI, would be paid to the Unit holders for the period of delay from the stipulated period for the dispatch/ payment of IDCW payments.

### **Redemption / Repurchase proceeds**

As per para 14.2 of SEBI Master Circular on Mutual Funds dated May 19, 2023 or as amended from time to time, the Fund shall transfer the redemption / repurchase proceeds within 3 working Days, from the date of acceptance of redemption request at any of the Investor Service Centres.

Further, as per AMFI circular no. AMFI/35P/MEM-COR/74/2022-23 dated January 16, 2023, in case of exceptional situations the AMC might follow the additional time lines for making redemption payments.

### **NRIs / FPIs**

The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (the "FEMA Regulations") permit a NRI to purchase on repatriation or non-repatriation basis, without limit, units of domestic mutual funds. Payment for such units must be made either by: (i) inward remittance through normal banking channels; or (ii) out of funds held in the NRE / FCNR account, or (iii) Indian Rupee drafts purchased abroad in the case of purchases on a repatriation basis or out of funds held in the NRE / FCNR / NRO account, in the case of purchases on a non-repatriation basis.

In case Indian Rupee drafts are purchased abroad or from FCNR / NRE accounts, an account debit certificate from the bank / financial entity issuing the draft confirming the debit shall also be enclosed. NRIs shall also be required to furnish such other documents as may be necessary and as desired by the AMC / Mutual Fund/Registrar, in connection with the investment in the schemes.

The FEMA Regulations also permit a registered FPI to purchase, on repatriation basis, units of domestic mutual funds provided the FPI restricts allocation of its total investment between equity and debt instruments in the ratio as applicable at the time of investments. Payment by the FPI must be made either by inward remittance through normal banking channels or out of funds held in foreign currency account or non-resident rupee account maintained by the FPI with a designated branch of an authorised dealer with the approval of the RBI in terms of paragraph 2 of Schedule 2 to the FEMA Regulations.

### **Redemption by NRIs / FPIs**

Units held by an NRI investor and FPIs may be redeemed by such investor by tendering Units to the Mutual Fund or for payment of maturity proceeds, subject to any procedures laid down by RBI from time to time. The Fund will not be liable for any delays or for any loss

on account of any exchange fluctuations, while converting the rupee amount in foreign exchange in the case of transactions with NRIs / FPIs. Provisions with respect to NRIs / FPIs stated above, is as per the AMC's understanding of the laws currently prevalent in India.

### **Delay in payment of redemption / repurchase proceeds**

In the event of failure to despatch the redemption proceeds within the above time, the Asset Management Company shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay (presently @ 15% per annum).

### **Duration of the Scheme / Winding up**

The AMC, the Fund and the Trustees reserve the right to make such changes / alterations to all or any of the Scheme (including the charging of fees and expenses) offered under this SID to the extent permitted by the applicable Regulations. However, in terms of the Regulations a scheme is to be wound up:

On the happening of any event, which in the opinion of the Trustees, requires the Scheme to be wound up.

- In case of winding up of the Scheme on account of above, the units of the units of the Scheme shall be listed on recognized stock exchange, subject to compliance with listing formalities as stipulated by the stock exchange. However, pursuant to listing, trading on stock exchange mechanism will not be mandatory for investors, rather, if they so desire, may avail an optional channel to exit provided to them.
- Initially, trading in units of such a listed scheme that is under the process of winding up, shall be in dematerialised form. AMCs shall enable transfer of such units which are held in form of Statement of Account (SoA) / unit certificates.
- Further, The AMC, its sponsor, employees of AMC and Trustee shall not be permitted to transact (buy or sell) in the units of such schemes that are under the process of being wound up.
- If seventy five per cent (75%) of the Unitholders of the Scheme pass a resolution that the Scheme be wound up.

If SEBI so directs in the interest of the Unitholders.

Where the Scheme is so wound up, the Trustees shall give notice within one day of the circumstances leading to the winding up of the Scheme to:

- a) SEBI and
- b) In two daily newspapers having a circulation all over India and in one vernacular newspaper with circulation in Mumbai.

In case a scheme is to be wound up on the happening of any event (which in the opinion of the Trustees, requires the Scheme to be wound up), the trustees shall obtain consent of the unit holders participating in the voting by simple majority on the basis of one vote per unit and publish the results of voting within forty five days from the publication of aforesaid notice.

In case the trustees fail to obtain the required consent of the unitholders, the schemes shall be reopened for business activities from the second business day after publication of results of the voting.

On and from the date of the publication of notice of winding up, the Trustees or the AMC, as the case may be, shall:

- a) Cease to carry on any business activities in respect of the Scheme so wound up
- b) Cease to create or cancel Units in the Scheme
- c) Cease to issue or redeem Units in the Scheme

### **Procedure and Manner of Winding up**

The Trustees shall call a meeting of the Unitholders of the Scheme to approve by simple majority of the Unitholders present and voting at the meeting, resolution for authorising the Trustees or any other

person to take steps for the winding up of the Scheme. The Trustees or the person authorised as above, shall dispose off the assets of the Scheme concerned in the best interest of the Unitholders of the Scheme. The proceeds of sale realised in pursuance of the above, shall be first utilised towards discharge of such liabilities as are due and payable under the Scheme, and after meeting the expenses connected with such winding up, the balance shall be paid to the Unitholders in proportion to their respective interest in the assets of the Scheme, as on the date the decision for winding up was taken.

On completion of the winding up, the Trustees shall forward to SEBI and the Unitholders, a report on the winding up, detailing the circumstances leading to the winding up, the steps taken for disposal of the assets of the Scheme before winding up, expenses of the Scheme for winding up, net assets available for distribution to the Unitholders and a certificate from the auditors of the Fund. Notwithstanding anything contained herein above, the provisions of the Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable, until winding up is completed or the Scheme cease to exist.

After the receipt of the report referred to above, if SEBI is satisfied that all measures for winding up of the Scheme have been complied with, the Scheme shall cease to exist.

### Plans / Options / Sub-options offered under the Scheme

The following table details the Plans / Options / Sub-options available in the Scheme and its dividend frequencies:

Name of Scheme and Plans, if any	Plans	Options	Sub-Options	Frequency of Dividend declaration	Record Date
HSBC Multi Asset Allocation Fund	Regular and Direct	Growth	–	–	–
		Income Distribution cum capital withdrawal (IDCW)	Payout IDCW & Reinvestment of IDCW	#from time to time	as may be decided by trustees <sup>^</sup>

<sup>^</sup> If such day is a holiday, then the record date shall be the immediately succeeding Business Day. The Board of Trustee Company reserves the right to change the frequency of the said Dividend of the Scheme. Dividends could be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains.

If the actual amount of Payout of IDCW is less than Rs. 100 , then such dividend will be compulsorily and automatically re-invested by issuing additional units on the ex-dividend date at applicable NAV. The amount of dividend reinvested will be net applicable taxes.

## C. PERIODIC DISCLOSURES

### 1. Net Asset Value

This is the value per unit of the Scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.

NAVs will be calculated and disclosed on every Business Day. The Unit holders may obtain the information on NAV of the prescribed days by calling the office of the AMC or any of the Investor Service Centres or on the website of the AMC at [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in). Further, AMC has extended the facility of sending latest available NAVs to unit holders through SMS, upon receiving a specific request for the same. For detailed process of receiving the latest NAV through SMS, please visit [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in).

The AMC shall update the NAVs on the website of Association of Mutual Funds in India - AMFI ([www.amfiindia.com](http://www.amfiindia.com)) and the Fund's website ([www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in)) by 11:00 p.m. on every Business Day. However, the AMC will endeavour to update the NAVs on the above websites daily by 11:00 p.m. on every Business Day, in case of any delay, the reasons for such delay would be explained to AMFI by the next day. If the NAVs are not available before commencement of business hours on the following day due to any reason, the Fund shall issue a press release providing reasons and explaining when the Fund would be able to publish the NAVs.

The NAVs will be determined on every Business Day except under special circumstances specified in this SID.

The NAV of the Segregated Portfolio shall be declared on daily basis.

### 2. Portfolio Disclosure

The AMC shall disclose portfolio of the Scheme (along with ISIN and yield of the instruments) as on the last day of every fortnight (i.e. as on 15th day and last day of the month) / half year, within 5 days from close of each fortnight/within 10 days of close of each half-year on its website and on the website of AMFI in a user-friendly and downloadable spreadsheet format.

In case of unitholders whose e-mail addresses are registered, the AMC shall send via email the fortnightly / half-yearly statement of scheme portfolio within 5 days / 10 days from the close of each fortnight / half-year respectively.

The AMC shall publish an advertisement every half-year disclosing the hosting of the half-yearly statement of its schemes portfolio on its website and on the website of AMFI and the modes such as SMS, telephone, email or written request (letter) through which a unitholder can submit a request for a physical or electronic copy of the statement of scheme portfolio. Such advertisement shall be published in the all India edition of at least two daily newspapers, one each in English and Hindi.

The Mutual Fund/ AMC will disclose portfolio (along with ISIN) of the Scheme as on the last day of the month on its website [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in) on or before the tenth day of the succeeding month in a user-friendly and downloadable format.

### Half yearly Disclosures: Financial Results

The Fund shall within one month from the close of each half year, that is on 31st March and on 30th September, host a soft copy of its unaudited financial results on AMC's website, containing details as specified in Twelfth Schedule of the Regulations and such other details as are necessary for the purpose of providing a true and fair view of the operations of the Fund. The Fund shall publish an advertisement disclosing the hosting of such financial results on their website, in atleast one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the Fund is situated.

### 3. Annual Report

A Scheme wise Annual Report/abridged summary thereof shall be provided to all Unitholders as soon as may be but not later than 4 months from 31 March of each year. The abridged / full Scheme wise Annual Report shall contain such details as are required under the Regulations / Circulars issued thereafter.

The Fund shall provide the Scheme wise annual report/abridged summary thereof as under:

- By hosting the same on the websites of the AMC and AMFI;
- The physical copy of the scheme wise annual report/abridged summary thereof shall be made available to the investors at the registered office of the AMC. A link of the scheme annual

report or abridged summary shall be displayed prominently on the website of the Fund.

(iii) By e-mailing the same to those Unit holders' whose e-mail address is registered with the Fund.

Unit holders are therefore requested to update their email address with the Fund to receive annual reports through email.

The AMC shall publish an advertisement every year disclosing the hosting of the scheme wise annual report on its website and on the website of AMFI. Such advertisement shall be published in the all India edition of at least two daily newspapers, one each in English and Hindi. Further, AMC shall provide modes such as SMS, telephone, email or written request (letter), etc. through which unitholders can submit a request for a physical or electronic copy of the scheme wise annual report or abridged summary thereof.

#### 4. Associate Transactions

For details of Associate transactions including dealing with associate companies, Investors are advised to please refer Statement of Additional Information (SAI).

#### 5. Disclosures with respect to Segregated Portfolio

The AMC shall make necessary disclosures as mandated by SEBI, in statement of account, monthly/ half yearly portfolio statements, KIM, SID, Scheme Advertisements, Scheme Performance data, AMC's Website and at other places as may be specified.

The information regarding number of Segregated Portfolio(s) created in a scheme shall appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-Application Form, advertisement, AMC and AMFI websites, etc.

The NAV of the Segregated Portfolio shall be declared on daily basis.

Further, the investors of the Segregated Portfolio shall be duly informed of the recovery proceedings of the investments of the Segregated Portfolio. Status update may be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities.

#### 6. Riskometer

Based on the scheme characteristics, the Mutual Fund/AMC shall assign risk level for scheme. Any change in riskometer shall be communicated by way of notice and by way of an e-mail or SMS to unitholders of the Scheme. Riskometer shall be evaluated on a monthly basis and Mutual Funds/AMCs shall disclose the Riskometer along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Mutual Funds shall disclose the risk level of schemes as on March 31 of every year, along with number of times the risk level has changed over the year, on their website and AMFI website. Mutual Funds shall publish the changes on the Riskometer in the Annual Report and Abridged Summary based on the guidelines prescribed by SEBI from time to time. The AMC shall comply with the requirements of SEBI circulars/guidelines issued in this regards from time to time.

#### 7. Scheme Summary Document

The AMC has provided on its website a standalone scheme document called 'Scheme Summary Document' for all the Schemes which contains all the details of the Scheme including but not limited to Scheme features, Fund Manager details, investment details, investment objective, expense ratios, portfolio details, etc. Scheme summary document is uploaded on the websites of AMC, AMFI and stock exchanges in 3 data formats i.e. PDF, Spreadsheet and a machine readable format.

### 8. Taxation

The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors / authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the Schemes.

Particulars	Investors	Mutual Fund
<b>Tax on Income Distribution</b>		
<b>(i) Equity Oriented Fund</b>	Income distributed would be taxable in the hands of unitholders as per applicable slabs	<b>Resident investor:</b> 10%** tax needs to be deducted on income distributed (not applicable to capital gain) <b>Non-Resident investor:</b> 20%** tax needs to be deducted in case of payment to NRI and Non Domestic company / Foreign Company
<b>Capital Gain Tax</b>		
<b>(i) Equity Oriented Fund:</b>		
1) Long Term	10%** #	<b>Resident investor:</b> Nil <b>Non-Resident Indian and Non Domestic company / Foreign company:</b> TDS at the rate of 10%**@
2) Short Term	15%**	<b>Resident investor:</b> No TDS <b>NRI and Non Domestic company / Foreign company:</b> TDS at the rate of 15%**@

# Aggregate long term capital gains exceeding one lakh rupees in a financial year, arising from the transfer of units of an equity oriented fund, equity shares and units of business trust are chargeable to tax @10%.

\*\* The above rates need to be increased by applicable surcharge and health & education cess.

@ Non-resident investors may be eligible for treaty benefit depending upon the facts of the case. The same has not been captured above Stamp Duty:

Pursuant to Notification No. S.O. 4419(E) dated December 10, 2019 read with Notification No. S.O. 115(E) dated January 8, 2020 and notification No. S.O.1226(E) dated March 30, 2020 issued by Department of Revenue, Ministry of Finance, Government of India, read with Part I of Chapter IV of Notification dated February 21, 2019 issued by Legislative Department, Ministry of Law and Justice, Government of India on the Finance Act, 2019, a stamp duty @ 0.005% of the transaction value would be levied on mutual fund transactions (including transactions carried through stock exchanges and depositories for units in demat mode), with effect from July 1, 2020. Accordingly, pursuant to levy of stamp duty, the number of units allotted on purchase transactions (including reinvestment of IDCW and IDCW transfers) to the unitholders would be reduced to that extent.

Further, with effect from July 1, 2020, stamp duty shall be applicable at the rate of 0.015% on the consideration amount stated in the transfer instrument for off market transfer of units held in demat mode as well units held in physical mode.

For further details on taxation, Investors are requested to refer to the section on Taxation in the Statement of Additional Information (SAI).

### 9. Investor Services

The Fund will follow-up with the Investor Service Centres and the Registrar on complaints and enquiries received from investors with an endeavour to resolve them promptly. For this

purpose, Mr. Ankur Banthiya is currently designated as the Investor Relations Officer. His contact details are as follows :

**HSBC Asset Management (India) Private Limited,**

Unit No. 62, 1st Floor, Parade View, Rukmani Lakshmi pathi Salai, Egmore, Chennai, Tamil Nadu-600008, India

Tel. : 1800-200-2434 / 1800-4190-200

Fax : 022-49146033

E-mail : investor.line@mutualfunds.hsbc.co.in

#### **D. COMPUTATION OF NAV**

The NAV of Units under the Scheme / Plan(s) / Option(s) shall be calculated as shown below:

$$\text{NAV (Rs.)} = \frac{\text{Market or Fair Value of Scheme's investments (+)} \\ \text{Current Assets (-) Current Liabilities and Provisions}}{\text{No. of Units outstanding under the Scheme / Option}}$$

The Direct Plan shall have a separate NAV.

The NAVs of the Scheme / Plan(s) / Option(s) (including Direct Plans) will be calculated and disclosed as of the close of every Business Day. The NAVs of the Scheme shall be disclosed up to 4 decimal places. The valuation of the Scheme' assets and calculation of the Scheme' NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

The AMC shall declare a separate NAV for the Direct Plan.

The NAV of the Segregated Portfolio shall be declared on daily basis.

#### **Foreign Securities - Equity**

In case of investments in Foreign Securities, on the Valuation Day, the securities issued outside India and listed on the stock exchanges outside India shall be valued at the closing price on the stock exchange at which it is listed or at the last available traded price. However, in

case a security is listed on more than one stock exchange, the AMC reserves the right to determine the stock exchange, the price of which would be used for the purpose of valuation of that security. In such cases, the AMC shall record the justification for selecting a particular stock exchange whose price is used for valuation. Further in case of extreme volatility in the international markets, the securities listed in those markets may be valued on a fair value basis.

Due to difference in time zones of different markets, in case the closing prices of securities are not available within a given time frame to enable the AMC to upload the NAVs for a Valuation Day, the AMC may use the last available traded price for the purpose of valuation. The use of the closing price/last available traded price for the purpose of valuation will also be based on the practice followed in a particular market.

In case any particular security is not traded on the Valuation Day, the same shall be valued on a fair value basis by the Valuation Committee of the AMC.

#### **Fractional Units**

Since a request for redemption or purchase is generally made in rupee amounts and not in terms of number of Units of the Scheme, an investor may be left with fractional Units. Fractional Units will be computed and accounted for up to three decimal places for the Scheme. However, fractional Units will in no way affect the investor's ability to redeem the Units, either in part or in full, standing to the Unitholder's credit.

Policy on computation of NAV in case of investment in foreign securities

In case of investment in listed foreign securities by schemes other than FOF schemes, the last available traded price on recognized stock exchange at around 6 p.m. IST on the valuation date will be considered for valuation of that security.



## SECTION IV - FEES AND EXPENSES

This section outlines the expenses that will be charged to the Scheme / Plan(s) / Option(s). The information provided under this Section seeks to assist the investor in understanding the expense structure of the Scheme / Plan(s) / Option(s) and types of different fees / expenses and the percentage the investor is likely to incur on purchasing and selling the Units of the respective Plan(s) under the Scheme / Plan(s) / Option(s).

### A. NEW FUND OFFER (NFO) EXPENSES

The NFO expenses of HSBC Multi Asset Allocation Fund shall be borne by the AMC.

These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationary, bank charges etc. In case of schemes where entry load was charged during the NFO, the same was utilized for meeting the initial issue expenses in terms of SEBI circular no. SEBI/IMD/CIR No.1/64057/06 dated April 4, 2006 and any expenditure over and above the entry load collected was borne by the AMC. In case of schemes where no entry load was charged, entire expenses were borne by AMC.

### B. ANNUAL SCHEME RECURRING EXPENSES

These are the fees and expenses for operating the Schemes. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as is given in the table below:

The total recurring expenses of the Scheme shall be as per the limits prescribed under sub-regulation 6 and 6A of Regulation 52 of the SEBI Regulations and shall not exceed the limits prescribed there under:

As per the Regulation 52(6), the maximum recurring expenses that can be charged to the Scheme shall be subject to a percentage limit of daily average net assets in the table below:

First Rs. 500 crores	Next Rs. 250 crores	Next Rs.1,250 crores	Next Rs.3,000 crores	Next Rs.5,000 crores	Next Rs. 40,000 crores	Balance
2.25%	2.00%	1.75%	1.60%	1.50%	TER reduction of 0.05% for every increase of Rs. 5,000 crores of daily net assets or part thereof	1.05%

Further, as per current Regulation 52 (6A), the additional recurring expenses that can be charged to Scheme shall be subject to a percentage limit of daily average net assets as specified below:

Regulation 52 (6A) (a)	Brokerage and transaction costs (inclusive of GST) which are incurred for the purpose of execution of trades, shall be charged to the scheme as per Regulation 52(6A)(a) of SEBI (Mutual Funds) Regulations, 1996 not exceeding 0.12 per cent in case of cash market transactions and 0.05 per cent in case of derivatives transactions. With effect from April 1, 2023, to align with Indian Account Standards requirement, transactions cost incurred for the purpose of execution of trades are expensed out (viz. charged to Revenue Account instead of Capitalization (i.e. forming part of cost of investment)). Any payment towards brokerage and transaction cost, over and above the said 0.12 percent and 0.05 percent for cash market transactions and derivatives transactions respectively may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under regulation 52 of the SEBI (Mutual Funds) Regulations, 1996.
------------------------	--

Regulation 52 (6A) (b)	<p>Expenses not exceeding of 0.30 per cent of daily net assets, if the new inflows from beyond Top 30 cities (B- 30**) are at least -</p> <p>(i) 30 per cent of gross new inflows in the scheme, or;</p> <p>(ii) 15 per cent of the average assets under management (year to date) of the scheme, whichever is higher.</p> <p>Provided that if inflows from such cities are less than the higher of (i) or (ii), such expenses on daily net assets of the scheme shall be charged on proportionate basis.</p> <p>Additional TER shall be charged based on inflows from retail investors from beyond top 30 cities (B-30 cities). Inflows of amount upto Rs 2,00,000/- per transaction, by individual investors shall be considered as inflows from retail investor. Provided further that, expenses so charged shall be utilised for distribution expenses incurred for bringing inflows from beyond Top 30 cities. Provided further that amount incurred as expense on count of inflows from such cities shall be credited back to the scheme in case the said inflows are redeemed within a period of one year from the date of investment.</p> <p>** Beyond Top 30 (B30) cities shall mean beyond top 30 cities based on Association of Mutual Funds in India (AMFI) data on 'AUM by Geography - Consolidated Data for Mutual Fund Industry' as at the end of the previous financial year.</p>
Regulation 52 (6A) (c)	<p>Additional recurring expenses of upto 0.05% of daily net assets of the scheme towards the investment and advisory fees or various other permissible expenses.</p> <p>However, in accordance with para 10.1.7 of SEBI Master Circular on Mutual Funds dated May 19, 2023, AMC shall not charge any additional expense of upto 0.05% as per Regulation 52(6A) (c), if exit load is not being levied under the Scheme. Accordingly, upon levy or introduction of exit load under the Scheme, the additional expenses upto 0.05% under Regulation 52 (6A) (c) shall be levied, and upon removal of exit load under the Scheme, additional expense upto 0.05% under Regulation 52 (6A) (c) shall be discontinued in compliance with provisions of para 10.1.7 of SEBI Master Circular on Mutual Funds dated May 19, 2023.</p>

The AMC has estimated the following maximum expenses of the Scheme. Please refer to the table below for indicative details:

Particulars	On first Rs. 500 Crore of the daily net assets (% of Net Assets)
Investment Management and Advisory Fees	Upto 2.25%
Trustee fee	
Audit fees	
Custodian fees	
RTA Fees	
Marketing & Selling expense including agent commission	

Particulars	On first Rs. 500 Crore of the daily net assets (% of Net Assets)
Cost related to investor communications	Upto 2.25%
Cost of fund transfer from location to location	
Cost of providing account statements and dividend redemption cheques and warrants	
Costs of statutory Advertisements	
Cost towards investor education & awareness (at least 2 bps)	
Brokerage & transaction cost (inclusive of GST) over and above 12 bps for cash market trades and 5 bps for derivatives transaction#	
GST on expenses other than investment management and advisory fees	
GST on brokerage and transaction cost@	
Maximum total expense ratio (TER) permissible under Regulation 52 (6) (c)	
Additional expenses under regulation 52 (6A) (c)	
Additional expenses for gross new inflows from specified cities under regulation 52(6A)(b)	Upto 0.30%

@GST on brokerage and transaction cost, over and above 12 bps and 5 bps for cash and derivative market transactions charged to the Scheme will be part of Total Expense Ratio limit as defined above.

Note: The total recurring expenses of the Direct Plan will be lower to the extent of the abovementioned distribution expenses/ commission which is charged in the Regular Plan. For example, in the event that the TER of the Regular option is 1%, the TER of the Direct Plan would not exceed 0.95% p.a. if the distribution commission is assumed to be 0.05% p.a.

The AMC may charge the following costs and expenses in addition to the total recurring expense limits as prescribed in the table above:

(a) #Brokerage and transaction costs (inclusive of GST) which are incurred for the purpose of execution of trades, shall be charged to the scheme as per Regulation 52(6A)(a) of SEBI (Mutual Funds) Regulations, 1996 not exceeding 0.12 per cent in case of cash market transactions and 0.05 per cent in case of derivatives transactions. With effect from April 1, 2023, to align with Indian Account Standards requirement, transactions cost incurred for the purpose of execution of trades are expensed out (viz. charged to Revenue Account instead of Capitalization (i.e. forming part of cost of investment)). Any payment towards brokerage and transaction cost, over and above the said 0.12 percent and 0.05 percent for cash market transactions and derivatives transactions respectively may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under regulation 52 of the SEBI (Mutual Funds) Regulations, 1996;

(b) GST on investment management and advisory fees.

The expenses of the Direct Plan will be lower than that of Regular Plan of the Scheme. No commission or distribution expenses will be charged under the Direct Plan.

The above expenses are subject to change and may increase / decrease as per actual and / or any change in the Regulations but the total recurring expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI (MF) Regulations.

Any other expenses which are directly attributable to the Scheme, may be charged with approval of the Trustee within the overall limits as specified in the Regulations except those expenses which are specifically prohibited.

The AMC reserves the right to vary the expense ratios charged to the Scheme, at such frequencies as the AMC may decide, subject to the maximum SEBI permissible limits. The AMC would update the

current expense ratios on the website at least three working days prior to the effective date of the change. This information is available on AMC's website at [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in).

**An illustration of the impact of expense ratio on scheme's investments is also provided below for reference.**

Particulars			Regular Plan	Direct Plan
Collections at Day Zero		A	100,000,000	100,000,000
Purchase Price per unit		B	10	10
Units allotted to domestic investors	A / B	C	10,000,000.00	10,000,000.00
Amount invested		D	100,000,000	100,000,000
Yield on investment		E	6%	6%
Expense ratio		F	1.65%	1.00%
<b>AUM after one month</b>				
AUM including Yield	(D*E)/12 +D	G	100,500,000	100,500,000
Expenses (for one month) (INR) - approximated at average of opening and closing AUM	((A+G)/2 * F)/12	H	137,844	83,542
AUM after one month	G-H	I	100,362,156	100,416,458
NAV per unit	I/C	J	10.0362	10.0416
Annualized returns (Pre Expenses) %	(G-D)/ D*100*12	K	6	6
Annualized returns (Post Expenses) %	(I-D) / D *100*12	L	4.35	5.00

The above expenses are subject to change and may increase / decrease as per actual and / or any change in the Regulations but the total recurring expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI (MF) Regulations.

Any other expenses which are directly attributable to the Scheme, may be charged with approval of the Trustee within the overall limits as specified in the Regulations except those expenses which are specifically prohibited.

All scheme related expenses including commission paid to distributors, by whatever name it may be called and in whatever manner it may be paid, shall be paid from the scheme only within the regulatory limits and not from the books of the Asset Management Company (AMC), its associate, sponsor, trustee or any other entity through any route. Provided that the expenses that are very small in value but high in volume may be paid out of AMC's books. Such expenses shall be paid out of AMC's books at actuals or not exceeding 2 bps of scheme AUM, whichever is lower. The AMC shall pay from its books only those expenses which are part of the miscellaneous expenses list provided by AMFI. Such expenses incurred by AMC shall be properly recorded and audited in the books of account of AMC at year end.

### Total Expense Ratio (TER) for the Segregated Portfolio

TER for the Segregated Portfolio shall be subject to the following provisions

1. The AMC will not charge investment and advisory fees on the Segregated Portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in Segregated Portfolio.

2. The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the Main Portfolio (in % terms) during the period for which the Segregated Portfolio was in existence.
3. The legal charges related to recovery of the investments of the Segregated Portfolio may be charged to the Segregated Portfolio in proportion to the amount of recovery. However, the same shall be within the maximum TER limit as applicable to the Main Portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the AMC.

**The costs related to Segregated Portfolio shall in no case be charged to the Main Portfolio.**

## GOODS AND SERVICE TAX

Goods and Service tax ("GST") on investment and advisory fees shall be charged to the Scheme in addition to the maximum limit of total recurring expenses as permitted under regulation 52 (6) and 52 (6A) of the Regulations. GST on any other fees / expenses shall be borne by the Scheme within the overall limit of the TER. GST shall be levied on the Investment Management & Advisory Fee at the then prevailing GST rate, as per the Taxation Laws in force.

GST on exit load, if any, shall be paid out of exit load proceeds and exit load net of GST, if any, shall be credited to the Scheme. GST on brokerage and transaction cost paid for execution of trade, if any, shall be within the limits prescribed under Regulation 52 of SEBI (Mutual Funds) Regulations.

## C. LOAD STRUCTURE

Load is an amount which is paid by the investor to redeem the units from the Scheme. This amount is used by the AMC to pay commissions to the distributor and to take care of other marketing and selling expenses. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please refer to the website of the AMC at [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in) or may call at ISC or your distributor.

As per para 10.4.1.a of SEBI Master Circular on Mutual Funds dated May 19, 2023, no entry load will be charged for purchase / additional purchase / switch-in including registrations for HSBC SIP / HSBC STP, accepted by the Fund.

Repurchases could attract an exit load (as a % of the Applicable NAV for redemptions). Unitholders should note that the AMC retains the right to change exit load as per the provisions below:

The repurchase price however, will not be lower than 95% of the NAV subject to SEBI Regulations as amended from time to time.

**Load Structure (Including SIP / STP, wherever applicable) for Scheme / Plans :**

**Entry Load\* :** Not Applicable

**Exit Load –**

- If units redeemed or switched out are upto 10% of the units purchased or switched in within 1 year from the date of allotment – Nil
- If units redeemed or switched out are over and above the limit within 1 year from the date of allotment – 1%
- If units are redeemed or switched out on or after 1 year from the date of allotment. – Nil

No Exit load will be chargeable in case of switches made between different options of the Scheme.

No Exit load will be chargeable in case of Units allotted on account of dividend reinvestments, if any.

The exit load set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively.

*\* In terms of para 10.4.1.a of SEBI Master Circular on Mutual Funds dated May 19, 2023, no entry load will be charged to the investor.*

Bonus Units and Units issued on reinvestment of dividends shall not be subject to exit load for existing as well as prospective investors. The exit load set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively. The above mentioned load structure shall be equally applicable to the special products such as HSBC SIP, HSBC SWP and HSBC STP, etc. offered by the AMC.

The exit load charged, if any, will be credited to the scheme. Goods & Service tax on exit load, if any, will be paid out of the exit load proceeds and exit load net of Goods & service tax, if any, will be credited to the scheme. Exit load is not applicable for Segregated Portfolio.

The investor is requested to check the prevailing load structure of the Scheme before investing. For any change in load structure AMC will issue an addendum and display it on the website / Investor Service Centres.

Subject to the Regulations, the Trustees reserve the right to modify / alter the load structure and may decide to introduce a differential load structure on the Units redeemed on any Business Day. Such changes will be applicable prospectively. The changes may also be disclosed in the Statements of Account issued after the introduction of such load.

Any imposition or enhancement of Load in future shall be applicable on prospective investments only. At the time of changing the Load Structure:

- (i) The addendum detailing the changes will be attached to the SID and Key Information Memorandum. The addendum will be circulated to all the distributors / brokers so that the same can be attached to all the SIDs and Key Information Memorandum already in stock.
- (ii) Arrangements will be made to display the changes / modifications in the SID in the form of a notice in all the Investor Service Centres and distributors / brokers' office.
- (iii) The introduction of the Exit Load alongwith the details will be stamped in the acknowledgement slip issued to the investors on submission of the application form and will also be disclosed in the Account Statement or in the covering letter issued to the Unit holders after the introduction of such Load.
- (iv) A notice for change in Exit Load shall be uploaded on the website of the Mutual Fund.
- (v) Any other measures which the mutual fund may feel necessary.

**Methodology for calculation of Sale and Repurchase Price of units**

**Sale Price**

Sale Price = Applicable NAV \* (1 + Entry Load, if any)

**Example**

If the Applicable NAV is Rs.15 and the sales load, if applicable is 2%, the sales price is calculated as follows:

$$\begin{aligned} \text{Sales Price} &= 15 * (1 + 0.02) \\ &= 15 * 1.02 \\ &= 15.30 \end{aligned}$$

However, as stated above, in accordance with para 10.4.1.a of SEBI Master Circular on Mutual Funds dated May 19, 2023, no entry load will be charged for purchase/additional purchase/switch-in including registrations for HSBC SIP / HSBC STP, accepted by the Fund.

**Repurchase Price**

Repurchase Price = Applicable NAV \* (1 - Exit Load, if any)

**Example**

If the Applicable NAV is Rs.15 and the exit load applicable is 0.5%, the repurchase price is calculated as follows:

$$\begin{aligned} \text{Repurchase Price} &= 15 * (1 - 0.005) \\ &= 15 * 0.995 \\ &= 14.925 \end{aligned}$$

## D. WAIVER OF LOAD FOR DIRECT APPLICATIONS

Pursuant to para 10.4.1.a of SEBI Master Circular on Mutual Funds dated May 19, 2023, no Entry Load will be charged for all Mutual Fund Schemes. Therefore, the procedure for Waiver of Load for Direct Applications is no longer applicable.

However, as per para 10.5.1.f of SEBI Master Circular on Mutual Funds dated May 19, 2023 issued by SEBI, investors will have an option to purchase / subscribe units directly with the Fund or through registered Investment Advisor under a separate Plan available for direct investments, i.e. investments not routed through the Distributors, referred as "Direct Plan". Purchase / subscription applications routed through distributor will not be eligible for investment under Direct Plan. All the features of the Direct Plan like the investment objective, asset allocation pattern, investment strategy, risk factors, facilities offered, load structure etc. will be the same except for a lower expense ratio. If the Distributor Code in the application form is incorrect / not mentioned or Distributor code is mentioned but 'Direct Plan' also indicated in the form, the application will be processed under the Direct Plan.

## E. DEDUCTION OF TRANSACTION CHARGE FOR INVESTMENTS THROUGH DISTRIBUTORS / AGENTS

Para 10.5.1 of SEBI Master Circular on Mutual Funds dated May 19, 2023 allowed Mutual Funds to deduct following transaction charge on per subscription of Rs. 10,000 and above, where such subscriptions are received through distributors / agents based on the type of product opted-in to receive the transaction charges.

As per para 10.5.1.f of SEBI Master Circular on Mutual Funds dated May 19, 2023, the distributors shall also have the option to opt in or opt out of levying transactions charges based on the type of product.

Accordingly, transaction charges as follows will be deducted by the Fund, from the subscription received from investors and paid to distributors / agents who have opted to receive the transaction charge.

### (i) First Time Investor in Mutual Fund (across all Mutual Funds)

Transaction charge of Rs. 150/- per subscription of Rs. 10,000 and above will be deducted from the subscription amount and paid to the distributor / agent of the first time investor and the balance shall be invested in the relevant scheme opted by the investor.

### (ii) Existing Investor in Mutual Fund

Transaction charge of Rs. 100/- per subscription of Rs. 10,000 and above will be deducted by the Fund from the subscription amount and paid to the distributor / agent of the investor and the balance shall be invested in the relevant scheme opted by the investor.

However, transaction charges in case of investments through SIP under (i) and (ii) above shall be deducted only if the total commitment (i.e. amount per SIP instalment x No. of instalments) amounts to Rs. 10,000/- or more. The transaction charge shall be deducted in 4 equal instalments, starting from the 2nd instalment to the 5th instalment.

### (iii) Transaction charges shall not be deducted for

- (a) Purchases / subscriptions for an amount less than Rs. 10,000;
- (b) Transactions other than purchases / subscriptions relating to new inflows such as Switch / STP / SWP etc.;
- (c) Purchases / subscriptions made directly with the Fund without any ARN code i.e. not through any distributor / agent.
- (d) Purchases/subscriptions carried out through the Stock Exchange Platform.

The statement of account to unit holders will clearly provide details of the net investments as gross subscription amount less transaction charge and the number of units allotted against the net investment.

## SECTION V - RIGHTS OF UNITHOLDERS

For details of Rights of Unitholders, please refer Statement of Additional Information (SAI).

## SECTION VI - PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY

1. *All disclosures regarding penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed.*

The Sponsor of the Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited, a company incorporated under the provisions of the Companies Act, 1956. The Sponsor being an Indian entity, this section is not applicable. Please refer below point.

2. *In case of Indian Sponsor(s), details of all monetary penalties imposed and / or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and / or the AMC and / or the Board of Trustees / Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to shareholders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed.*

- a) Penalties imposed by a financial regulatory body or government authority against the Sponsor and / or the AMC and / or the Board of the Trustees, for irregularities / violations in the financial services sector, or for defaults with respect to share holders or debenture holders and depositors, or for economic offences, or for violation of securities law, during the last three years:

Penalty imposed by Exchanges on HSCI during the period April 1, 2020 – September 30, 2023 excluding the penalties imposed by the Exchanges in the ordinary course of business:-

Exchange	Reason	Date	Penalty imposed and paid (Rs.)
NSE	Delayed submission of Bank Account Balances January -2021	March - 2021	2,500
BSE	Charge for Observations in Internal Audit Report for HY ended Sep. 21	June - 2022	2,000
NSE	Delayed submission of Enhance Surveillance Report	Nov. - 2022	10,000
NSE	Delayed submission of Bank Account Balances	Nov. - 2022	10,000
NSE	Operational error in reporting Securities Holding Statement (ISIN number of one security had changed)	March - 2023	100,000
NSE	Non uploading of CTCL details in ENIT	August - 2023	1,900

- b) For irregularities or for violations in the financial services sector, or for defaults with respect to shareholders or debenture holders and depositors, or for economic offences, or for violation of securities law.

NIL

3. *Details of all enforcement actions taken by SEBI in the last three years and / or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and / or suspension and / or cancellation and / or imposition of monetary penalty / adjudication / enquiry proceedings, if any, to which the Sponsor(s) and / or the AMC and / or the Board of Trustees / Trustee Company and / or any of the directors and / or key personnel (especially the fund managers) of the AMC and Trustee Company were / are a party. The details of the violation shall also be disclosed.*

- a) SEBI has issued a Show Cause Notice dated August 04, 2023 to the AMC & members of Trustees as on that date (hereinafter referred to as "Said Trustees"), alleging violation of Regulation 18(9) of Regulations by the Said Trustees & violation of Clause 5 of the Fifth schedule of Mutual Fund Regulations and Clause 1.3.1 (c) of the SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/683 dated December 10, 2021 by the AMC. The AMC & the Said Trustees have filed a settlement application with SEBI on the matter.

- b) The AMC had acquired the entire share capital of L&T Investment Management Limited ("L&T AMC"), the asset management company of erstwhile L&T Mutual Fund, on 25 November 2022 and L&T AMC was subsequently merged into the AMC. Pursuant to the SEBI Inspection of L&T AMC for the period April 01, 2019 to March 31, 2021, SEBI had issued Show Cause Notice (SCN) dated March 20, 2023 & Supplementary SCN dated June 16, 2023 alleging L&T AMC of not complying with SEBI circular No. MFD/CIR/6/73/2000 dated July 27, 2000, Regulation 25(2) and Clause 9 of Fifth Schedule-Part A of SEBI (Mutual Funds) Regulations, 1996. Adjudicating Officer (AO) of SEBI vide its order dated August 23, 2023, had disposed of the said SCNs without imposing any penalty. Subsequently, SEBI issued a SCN dated Nov 06, 2023 under Section 15-I(3) of SEBI Act, 1992 calling upon the AMC to show cause as to why the AO order dated Aug 23, 2023 should not be revised under Section 15-I(3) of SEBI Act, 1992.

4. *Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and / or the AMC and / or the Board of Trustees / Trustee Company and / or any of the directors and / or key personnel are a party should also be disclosed separately.*

### Garnishee Notice from Income Tax Authorities:

During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants)

was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF.

Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores.

Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year.

Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT.

The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th February 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue.

The Department filed Miscellaneous Applications (MA) under section 254(2) of the Income Tax Act with ITAT against the favorable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions / appeal.

The ITAT has vide its order dated March 25th 2022 dismissed the MA filed by department.

An appeal filed by Revenue in the High court against the aforesaid order of February 2017 is pending before High Court.

5. *Any deficiency in the systems and operations of the Sponsor(s) and / or the AMC and / or the Board of Trustees / Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed.*

There are no deficiencies in the systems and operations of the Sponsor of the Mutual Fund and / or the AMC and / or the Board of Trustees which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency to be disclosed in SID.

The above information has been disclosed in good faith as per the information available to the AMC.

**Notwithstanding anything contained in this SID, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.**

**Notes:** Any amendments / replacement / re-enactment of SEBI (MF) Regulations subsequent to the date of this SID shall prevail over those specified in this SID.

**The Trustees have ensured that HSBC Multi Asset Allocation Fund, approved by them, is a new product offered by HSBC Mutual Fund and is not a minor modification of any existing scheme/fund/product. HSBC Multi Asset Allocation Fund has been approved by the Board of Trustees vide Resolution dated October 30, 2023.**

For and on behalf of the Board of Directors of  
**HSBC Asset Management (India) Private Limited**

Sd/-

**Sumesh Kumar  
Compliance Officer**

Place: Mumbai  
Date: January 11, 2024

## OFFICIAL POINTS OF ACCEPTANCE OF TRANSACTION REQUESTS

### HSBC Asset Management (India) Private Limited

CIN NO: U74140MH2001PTC134220

9-11 Floors, NESCO IT Park, Building No. 3,  
Western Express Highway, Goregaon (East), Mumbai 400 063, India

Website : [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in)

Description	Investor related queries	Distributor related queries	Online related queries	Investor (Dialing from abroad)
<b>Toll Free Number</b>	1800-4190-200/1800-200-2434	1800-419-9800	1800-4190-200/1800-200-2434	+91 44 39923900
<b>Email ID</b>	<a href="mailto:investor.line@mutualfunds.hsbc.co.in">investor.line@mutualfunds.hsbc.co.in</a>	<a href="mailto:partner.line@mutualfunds.hsbc.co.in">partner.line@mutualfunds.hsbc.co.in</a>	<a href="mailto:onlinemf@mutualfunds.hsbc.co.in">onlinemf@mutualfunds.hsbc.co.in</a>	<a href="mailto:investor.line@mutualfunds.hsbc.co.in">investor.line@mutualfunds.hsbc.co.in</a>

To get your updated account statement email us at : "[mfsoa@mutualfunds.hsbc.co.in](mailto:mfsoa@mutualfunds.hsbc.co.in)"

**We're always here to help you, so feel free to reach out to us**

Visit Online Transaction Platform  
to invest, redeem and manage  
your portfolio

<https://invest.assetmanagement.hsbc.co.in/auth/login>



Download Invest Xpress  
App and track your  
investments



On WhatsApp, send  
"Hi" to 9326929294 to  
connect with us



**Insta Statement -**  
Get Mutual Fund  
statement instantly



Remember, you can also find out more via our social media handles !



Please check our website [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in) for an updated list of Official Points of Acceptance of HSBC Mutual Fund.

**CAMS SERVICE CENTRES / CAMS LIMITED TRANSACTION POINTS / CAMS COLLECTION CENTRES**

For details on CAMS Service Centres, please visit [www.camsonline.com](http://www.camsonline.com)



**HSBC Asset Management (India) Private Limited**

CIN: U74140MH2001PTC134220

**Registered Office :** 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai 400 063, India

**Toll Free Numbers :** 1800-4190-200 / 1800-200-2434 (within India)

**Fax :** 022-49146033

**Email IDs :** [investor.line@mutualfunds.hsbc.co.in](mailto:investor.line@mutualfunds.hsbc.co.in)

**Website :** [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in)