

HSBC MUTUAL FUND

NOTICE-CUM-ADDENDUM

Swing pricing framework for select open ended debt schemes of HSBC Mutual Fund ('the Fund')

NOTICE is hereby given that SEBI, vide Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/631 dated September 29, 2021, has introduced swing pricing framework for open ended debt schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds) for scenarios related to net outflows from such schemes.

In accordance with the provisions of the said circular, following framework for mandatory full swing pricing during market dislocation times for high risk open ended debt schemes, stands inserted in the Scheme Information Documents (SIDs) & Key Information Memorandum (KIMs) documents of HSBC Debt Fund, HSBC Flexi Debt Fund and HSBC Short Duration Fund, which shall be applicable with effect from March 01, 2022 or such other date, as may be notified by SEBI:

Swing pricing framework for market dislocation

1. Market dislocation shall be determined and declared by SEBI from time to time. Once market dislocation is declared, the swing pricing will be applicable for a period specified by SEBI.
2. Subsequent to the announcement of market dislocation by SEBI, the swing pricing factor as tabulated below shall be applicable to the scheme, only if as on the date of declaration of market dislocation by SEBI, the scheme is:
 - i) a High or Very High risk on the risk-o-meter in terms of SEBI circular SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 5, 2020 (as of the most recent period at the time of declaration of market dislocation); and
 - ii) classified in the cells A-III, B-II, B-III, C-I, C-II and C-III of Potential Risk Class (PRC) Matrix in terms of SEBI circular SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 7, 2021 as tabulated below.

A minimum swing factor as under shall be made applicable to the scheme and the NAV will be adjusted for stated swing factor:

Minimum swing factor for open ended debt schemes			
Max Credit Risk of scheme →	Class A (CRV** ≥12)	Class B (CRV ≥10)	Class C (CRV <10)
Max Interest Rate Risk of the scheme ↓			
Class I: (MD ≤1 year)	Not Applicable	Not Applicable	1.50%
Class II: (MD ≤3 years)	Not Applicable	1.25%	1.75%
Class III: Any Macaulay duration	1%	1.50%	2.00%

** Credit Risk Value

3. The swing pricing framework will be made applicable only if there is a net outflow from the scheme on any given day during the period specified by SEBI.
4. When swing pricing framework is triggered and swing factor is made applicable, the same shall be applicable to both the incoming and outgoing investors and NAV shall get adjusted for swing factor.
5. Swing pricing shall be made applicable to all unitholders at PAN level with an exemption for redemptions upto Rs. 2 lacs under the scheme.
6. The scheme performance shall be computed based on unswung NAV.
7. Disclosures pertaining to NAV adjusted for swing factor along with the performance impact shall be made in the prescribed format in the SID and in scheme wise Annual Reports and Abridged summary and the same may be disclosed on the website of the Fund prominently only if swing pricing framework has been made applicable for the scheme.

Notes:**➤ What is Swing Pricing?**

There are trading and associated transaction costs involved when there are significant inflows into or significant outflows from the scheme. Also, such large flows can have impact on the price at which securities are transacted by the scheme. Such costs as a result of significant flows fall not on only those investors who have just transacted but on all the investors in the fund thereby diluting the value of existing investors' holding. Introduction of Swing pricing aims to protect the interest of the existing investors from some of the performance dilution that they may suffer as a result of significant inflows and outflows from the scheme.

It is a process whereby the NAV of the scheme is swung or adjusted with a specified factor (%) as tabulated above to effectively pass on such costs (caused by significant inflow/outflow) to the investors associated with such flows.

➤ Under which circumstances it is triggered?

Swing pricing will be triggered under following scenarios:

1. A market dislocation is declared by SEBI; and
2. The scheme meets the criteria specified under point 2 i) & ii) above; and
3. There is a net redemption under the scheme i.e. total outflow for the day exceeds the total inflow for the day.

➤ For how many days swing pricing shall be applicable?

It will be applicable for the period as specified by SEBI from time to time.

➤ What is the inflow/outflow threshold for triggering the swing pricing factor?

Currently swing pricing will be applicable only in case of net outflows (without any threshold) in the scheme.

➤ Illustration explaining the effect of swing price on the NAV for incoming and outgoing investors:**Assumption:**

- Applicable mandatory swing pricing factor: 1% (i.e. scheme classified under cell A-III of the PRC matrix)
- Normal NAV of the scheme is: Rs. 100/- per unit
- No exit load applicable to the scheme

Computation of Swing NAV:

For redemption transactions: $100 - (100 * 1\%) = \text{Rs. } 99/- \text{ per unit}$

For purchase transactions: $100 + (100 * 1\%) = \text{Rs. } 101/- \text{ per unit}$

Impact of swing pricing on redemption transactions (outgoing investors):

No. of units Redeemed*	Without Swing Pricing		With Swing Pricing		Impact (Rs.)*
	Applicable NAV (Rs. per unit)	Redemption Value (Rs.)	Applicable NAV (Rs. per unit)	Value (Rs.)	
2001	100.00	2,00, 100	99.00	1,98,099	-2001
2000	100.00	2,00, 000	NA*	NA*	Nil*

*Redemption upto Rs. 2 lac (at Pan level) shall be exempted from swing pricing factor and such redemptions shall be processed at normal NAV only. Redemption in excess of Rs. 2.00 lac shall get the lesser value on account of swing factor.

Impact of swing pricing on purchase transactions (incoming investors) ^:

Subscription Amount (Rs.)	Without Swing Pricing		With Swing Pricing		Impact (Units)*
	Applicable NAV (Rs. per unit)	No. of units to be allotted	Applicable NAV (Rs. per unit)	No. of units to be allotted	
100,000	100.00	1000	101.00	990.10	-9.90
500,000	100.00	5000	101.00	4950.50	-49.50

^in case of purchase transactions, swung NAV will be applicable to all incoming investors irrespective of their investment value.

*Investors purchasing the units of the scheme during swing pricing period shall get lesser units as compared to the units without swing pricing factor.

This Notice-cum-Addendum forms an integral part of the Application Forms and SID/ KIM of the aforesaid schemes of the Fund. All other features of the product labeling except as mentioned above, of the respective schemes remain unchanged.

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

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

Sd/-

Authorised Signatory

Mumbai, December 28, 2021

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