

HSBC MUTUAL FUND

NOTICE CUM ADDENDUM

NOTICE-CUM-ADDENDUM TO THE SCHEME INFORMATION DOCUMENT (SID) & KEY INFORMATION MEMORANDUM (KIM) OF CERTAIN SCHEMES OF HSBC MUTUAL FUND (FUND)

Investment in Corporate Debt Market Development Fund by certain debt schemes of the Fund

Investors are requested to note that as per the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996, SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/128 dated July 27, 2023 on framework for Corporate Debt Market Development Fund and SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023 on investment by mutual fund schemes and Asset Management Companies (AMCs) in units of Corporate Debt Market Development Fund (“CDMDF”), following specified open ended debt-oriented schemes of HSBC Mutual Fund and HSBC Asset Management (India) Pvt. Ltd (‘AMC’) shall invest such percentage of net assets in the units of the CDMDF.

Specified open ended debt-oriented schemes of HSBC Mutual Fund:-

- HSBC Liquid Fund
- HSBC Money Market Fund
- HSBC Low Duration Fund
- HSBC Ultra Short Duration Fund
- HSBC Short Duration Fund
- HSBC Medium Duration Fund
- HSBC Medium to Long Duration Fund
- HSBC Banking and PSU Debt Fund
- HSBC Credit Risk Fund
- HSBC Dynamic Bond Fund
- HSBC Corporate Bond Fund
- HSBC Conservative Hybrid Fund

CDMDF is set up as a scheme of the Trust registered as an Alternative Investment Fund (‘AIF’) in accordance with the SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”). The objective of the CDMDF is to help to develop the corporate debt market by providing backstop facility at the time of market dislocation to benefit the wider corporate debt market. The primary motive to set up a back stop facility is to instill confidence amongst the participants in the corporate debt/bond market during times of market dislocation and to enhance the secondary market liquidity. Further, in times of market dislocation, the aforesaid specified open ended debt-oriented schemes of HSBC Mutual Fund shall have access to sell corporate debt securities held in the portfolio and CDMDF shall purchase listed corporate debt securities from the said schemes. The trigger and period for which the backstop facility will be open shall be as decided by SEBI.

Pursuant to the above, SIDs & KIMs of above-mentioned specified open ended debt-oriented schemes of HSBC Mutual Fund stands modified to the extent applicable as follows:

1. NAV disclosure timeline:

The following para has been added to the clause ‘Transparency/NAV Disclosure’ in Section “Highlights/Summary of the Scheme” and point “Net Asset Value” in sub-section “Periodic Disclosures” in section “Section III. Units and Offer” of SID & to point “Daily Net Asset Value (NAV) Publication” of KIM of specified open ended debt-oriented schemes as mentioned above:

‘Corporate Debt Market Development Fund (‘CDMDF’) shall disclose Net Asset Value (NAV) of units of CDMDF by 9:30 PM on all business days on website of its Investment Manager (SBI Funds Management Ltd) and AMFI. For times when CDMDF would have exposure to corporate debt, such NAV shall be disclosed by 11 PM on all business days. In case NAV of CDMDF units is not available by 9:30 p.m. of same Business Day, NAV declaration timing for Mutual Fund Schemes holding units of CDMDF shall be 10 a.m. on next business day instead of 11 p.m. on same Business Day.

2. Risk Profile:

The following clause has been added to the point ‘Risk Factors’ in Section “Section I. Introduction” of SID & under ‘Risk Profile’ of KIM of above-mentioned schemes:

Backstop facility in form of investment in Corporate Debt Market Development Fund (CDMDF):

CDMDF is set up as a scheme of the Trust registered as an Alternative Investment Fund (‘AIF’) in accordance with the SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”) which is launched as a closed-ended scheme with an initial tenure of 15 years (extendable) from the date of its initial closing. The Investment Manager-cum-Sponsor of CDMDF shall be SBI Funds Management Ltd., the asset management company of SBI Mutual Fund. The objective of the CDMDF is to help to develop the corporate debt market by providing backstop facility to instill confidence amongst the market participants in the corporate debt/bond market during times of market dislocation and to enhance the secondary market liquidity. In times of market dislocation, CDMDF shall purchase and hold eligible corporate debt securities from the participating investors (i.e., specified debt-oriented MF schemes to begin with) and sell as markets recover. The CDMDF will thus act as a key enabler for facilitating liquidity in the corporate debt market and to respond quickly in times of market dislocation. The trigger and period for which the backstop facility will be open shall be as decided by SEBI. Thus, this backstop facility will help fund managers of the aforementioned Schemes to better generate liquidity during market dislocation to help the schemes fulfill liquidity obligations under stress situation.

In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023 on Investment by Mutual Fund Schemes in units of Corporate Debt Market Development Fund, the aforementioned schemes shall invest 25 bps of its AUM as on December 31, 2022 in the units of the Corporate Debt Market Development Fund (‘CDMDF’). An incremental contribution to CDMDF shall be made every six months to ensure 25 bps of scheme AUM is invested in units of CDMDF. However, if AUM decreases there shall be no return or redemption from CDMDF. Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF.

We would further like to bring to the notice of the investors that investments in CDMDF units shall not be considered as violation while considering maturity restriction as applicable for various purposes (including applicable Investment limits) and the calculations of Potential Risk Class (PRC) Matrix, Risk-o-meter, Stress testing and Duration for various purposes shall be done after excluding investments in units of CDMDF. Contribution by the Specified open ended Debt-Oriented Schemes shall be treated as an investment and not an expense, and hence shall form part of Net Asset Value (NAV) of the Specified open ended Debt-Oriented Schemes.

Investors are requested to read disclosure on investment of the schemes in the CDMDF as listed in sub-section “Asset Allocation of scheme and sub-section “Where will the Scheme Invest?” in Section “Section II- Information about the scheme”.

3. Investment by specified open ended debt-oriented schemes in the units of CDMDF:

The following para has been added in sub- section “Asset Allocation of scheme” in Section “II- Information about the scheme” of SIDs & under Asset Allocation Pattern of KIM of specified open ended debt-oriented schemes as mentioned above:

'In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023 on Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund, scheme shall invest 25 bps of its AUM as on December 31, 2022 in the units of the Corporate Debt Market Development Fund ('CDMDF') within 10 working days from the request of CDMDF. Further, an incremental contribution to CDMDF shall be made every six months within 10 working days from the end of half year starting from December 2023 to ensure 25 bps of scheme AUM is invested in units of CDMDF. However, if AUM decreases there shall be no return or redemption from CDMDF. Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF.

However, in case of winding up of contributing Scheme, inter-scheme transfers within the same Mutual Fund or across Mutual Funds may be undertaken.

Further, investments in CDMDF units shall not be considered as violation while considering maturity restriction as applicable for various purposes (including applicable Investment limits) and the calculations of Potential Risk Class (PRC) Matrix, Risk-o-meter, Stress testing and Duration for various purposes shall be done after excluding investments in units of CDMDF.

The following point has been added in sub-section "Where will the Scheme Invest" in Section "II- Information about the scheme" of SIDs of specified open ended debt-oriented schemes as mentioned above:

Investment in CDMDF-

In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023 on Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund, scheme shall invest 25 bps of its AUM. CDMDF will issue Class A2 units to the scheme.

CDMDF Framework-

CDMDF shall comply with the Guarantee Scheme for Corporate Debt (GSCD) as notified by Ministry of Finance vide notification no. G.S.R. 559(E) dated July 26, 2023 and SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/128 dated July 27, 2023 and circulars / guidelines/ Letters issued by SEBI and AMFI from time to time, which includes the framework for corporate debt market development fund. The framework will inclusive of following points-

- a) The CDMDF shall deal only in following securities during normal times:
 - Low duration Government Securities
 - Treasury bills
 - Tri-party Repo on G-sec
 - Guaranteed corporate bond repo with maturity not exceeding 7 days
- b) The fees and expenses of CDMDF shall be as follows:
 - During Normal times: (0.15% + tax) of the Portfolio Value charged on daily pro-rata basis.
 - During Market stress: (0.20% + tax) of the Portfolio Value charged on daily pro-rata basis.
 - "Portfolio Value" means the aggregate amount of portfolio of investments including cash balance without netting off of leverage undertaken by the CDMDF.
- c) Corporate debt securities to be bought by CDMDF during market dislocation include listed money market instruments from secondary market having investment grade credit rating and residual maturity not exceeding 5 years on the date of purchase. CDMDF shall not buy any unlisted or below investment grade or defaulted debt securities or securities in respect of which there is a material possibility of default or adverse credit news or views. 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. The utilization of such facility by the

Specified Open Ended Debt-Oriented Schemes shall be voluntary. CDMDF shall follow the Fair Pricing document, while purchase of corporate debt securities during market dislocation as specified in SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/128 dated July 27, 2023 and circulars / guidelines/ Letters issued by SEBI and AMFI from time to time.

- d) As per the SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/128 dated July 27, 2023, the Specified Open Ended Debt-Oriented Scheme which sells debt securities to CDMDF shall be paid 90% of the consideration in cash by CDMDF, and 10% in terms of units of CDMDF. Such units paid as consideration, known as Class A3 units, (which is different class of units than units allotted in lieu of contribution made) shall bear the risk of first loss, if any to CDMDF, and can be redeemed during the tenure of Specified Open Ended Debt-Oriented Schemes, subject to certain conditions. Further, the second level loss absorption shall be by the Class A1 and A2 units. Please note that CDMDF shall follow the loss waterfall accounting and guidelines w.r.t. purchase allocation and trade settlement of corporate debt securities bought by CDMDF, specified in SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/128 dated July 27, 2023 and circulars / guidelines/ Letters issued by SEBI and AMFI from time to time.

4. Investment by the AMC in the in units of Corporate Debt Market Development Fund-

The following point will be added in sub- section “Investment by the AMC” in Section “Section II- Information about the scheme” of SID of specified open ended debt-oriented schemes as mentioned above:

‘Pursuant to regulation 43A of SEBI (Mutual Funds) Regulations, 1996 and SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023 on Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund, AMC shall make a one-time contribution equivalent to 2 bps of the AUM of the specified debt oriented schemes as on December 31, 2022 in the units of the Corporate Debt Market Development Fund (‘CDMDF’) within 10 working days of request from CDMDF. Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF. CDMDF will issue Class A1 units to AMC for its investments.

In case of delay in contribution by the Scheme and AMC, the AMC shall be liable to pay interest at fifteen percent (15%) per annum for the period of delay.’

The above mentioned change shall override the conflicting provisions, if any, and shall form an integral part of the SID & KIM of specified open ended debt-oriented schemes as mentioned above of the Fund, as amended from time to time. All the other provisions of the SID & KIM of specified open ended debt-oriented schemes as mentioned above of the Fund, except as specifically modified herein above, remain unchanged.

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

Sd/-
Authorised Signatory
Mumbai

Date: October 26, 2023

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

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