

HSBC Mutual Fund – Policy to protect the interest of investors of Small Cap and Mid Cap Funds

The following policy is put in place to protect the interest of investors of small cap and mid cap schemes of HSBC Mutual Fund, pursuant to AMFI Communication no. 35P/MEM-COR/116/2023-24 dated February 27, 2024 (“AMFI Directive”):

A. Background:

HSBC Asset Management (India) Private Limited (“AMC”) has 2 schemes namely HSBC Midcap Fund in Mid cap category and HSBC Small Cap Fund in Small Cap category. Each of these schemes as per SEBI categorization circular has a predefined market capitalization bucket with a mandate to invest at least 65% in their respective market cap segments.

B. Measures to be taken proactively to protect the interest of the investors of HSBC Midcap Fund and HSBC Small Cap Fund:

1. Continuous monitoring of various parameters such as
 - 1.1. portfolio concentration,
 - 1.2. portfolio turnover,
 - 1.3. liquidity,
 - 1.4. inflows and outflows on a monthly basis,
 - 1.5. investor and distributor concentration,
 - 1.6. market valuations and adverse market news
 - 1.7. stress testing scenarios.

Moreover, the liquidity assessment will be done basis the methodology provided by AMFI, which will also get uploaded every month on the AMC and AMFI website, respectively. The Fund Manager will assess abovementioned parameters and basis triggers to the parameters, if needed, a meeting will be conducted among CEO, Investments, Risk and Product Team to evaluate the need to take below defined measures. The Fund Manager may then make suitable adjustments to/ rebalance the portfolio including but not limited to following, keeping in mind the best interests of investors at all times:

- a. In case of HSBC Small Cap Fund - Reduce exposure from small cap companies and increase in large and/or mid caps, however, within SEBI prescribed categorization guidelines. In case of HSBC Midcap Fund - Reduce exposure from mid cap companies and increase in large caps, however, within SEBI prescribed categorization guidelines.
 - b. Reduce exposure to small cap and/or mid cap companies with lower liquidity and take exposure in more liquid small cap and/or mid cap companies.
 - c. Maintain cash exposure as per point 2 below.
2. Creation of liquidity in the portfolio will be basis the views of the market by the fund manager. The cash levels would be maintained as appropriate based on average redemptions observed in the small and midcap funds.
 3. The AMC may decide to moderate inflows in the small cap and midcap funds considering abovementioned parameters.

C. Steps to ensure that the investors are protected from the first mover advantage of redeeming investors:

- a. In the event of sustained high redemptions, the fund manager will aim to liquidate stocks in a fair manner to not disadvantage the remaining investors.

- b. Introduction of higher and/or longer exit loads for prospective investors to discourage any redemptions from them.