HSBC Mutual Fund

# SCHEME INFORMATION DOCUMENT

## SECTION – I

## HSBC Medium to Long Duration Fund

**(An open ended medium to long term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 years to 7 years. (Please refer Page No. 11 of SID for explanation on Macaulay's duration). Relatively High interest rate risk and relatively Low credit risk.)**

### Continuous Offer of Units at NAV based prices

| Potential Risk Class | | | |
|---|---|---|---|
| **Credit Risk →** | **Relatively Low (Class A)** | **Moderate (Class B)** | **Relatively High (Class C)** |
| **Interest Rate Risk ↓** | | | |
| **Relatively Low (Class I)** | | | |
| **Moderate (Class II)** | | | |
| **Relatively High (Class III)** | **A-III** | | |
| **Relatively High interest rate risk and relatively low credit risk.** | | | |

**Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.**

**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:

| This product is suitable for investors who are seeking*: | Scheme Risk-o-meter | Benchmark Risk-o-meter (as applicable) |
|---|---|---|
| ▶ Regular income over medium to long term<br>▶ Investment in diversified portfolio of fixed income securities such that the Macaulay^ duration of the portfolio is between 4 year to 7 years | | As per AMFI tier 1 Benchmark Index:<br>**NIFTY Medium to Long Duration Debt Index A- III**<br> |

* Investors should consult their financial advisers if in doubt about whether the product is suitable for them. ^ The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.

| Name of Mutual Fund | Name of Asset Management Company | Name of Trustee Company |
|---|---|---|
| **HSBC Mutual Fund**<br>9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai – 400 063, India | **HSBC Asset Management (India) Private Limited**<br>CIN – U74140MH2001PTC134220<br>Regd. & Corp. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai – 400 063, India | **HSBC Trustees (India) Private Limited**<br>CIN –U66190MH2024PTC416973<br>Regd. Office: 52/60 Mahatma Gandhi Road, Fort Mumbai 400001, India |
| **Website:** www.assetmanagement.hsbc.co.in | | |

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI MF) Regulations) as amended till date and circulars issued thereunder filed with 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.

**The investors are advised to refer to the Statement of Additional Information (SAI) for details of HSBC Mutual Fund, Standard Risk Factors, Special Considerations, Tax and Legal issues and general information on 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 our website.**

**The Scheme Information Document (Section I and II) should be read in conjunction with the SAI and not in isolation.**

**This Scheme Information Document is dated May 30, 2025.**

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# PART I. HIGHLIGHTS/SUMMARY OF THE SCHEME

| Sr. No. | Title | Description |
|---|---|---|
| I. | **Name of the scheme** | **HSBC Medium to Long Duration Fund** |
| II. | **Category of the Scheme** | Medium to Long Duration Fund |
| III. | **Scheme type** | An open ended medium to long term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 years to 7 years (please refer to page no. 11 of SID for details on Macaulay's Duration). Relatively high interest rate risk and relatively low credit risk. |
| IV. | **Scheme code** | HSBC/O/D/MLD/02/08/0002 |
| V. | **Investment objective** | To provide a reasonable income through a diversified portfolio of fixed income securities such that the Macaulay duration of the portfolio is between 4 years to 7 years. There is no assurance that the investment objective of the Scheme will be achieved. |
| VI. | **Liquidity/listing details** | 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 June 27, 2024, the Fund shall transfer the redemption / repurchase proceeds within 3 working Days, from the date of acceptance of redemption request.<br>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 timelines for making redemption payments.<br>Currently, the scheme is not intended to be listed on any stock exchange. |
| VII. | **Benchmark Index (i.e. First Tier Benchmark based on the PRC)** | As per AMFI Tier I benchmark Index – NIFTY Medium to Long Duration Debt Index A-III |
| VIII. | **NAV disclosure** | 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 www.assetmanagement.hsbc.co.in and of the Association of Mutual Funds in India - AMFI (www.amfiindia.com) by 11.00 p.m. on every Business Day.<br>NAV of the Segregated Portfolio, if any, shall be declared on daily basis.<br>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.<br>Further Details in Section II. |
| IX. | **Applicable timelines** | **Timeline for -**<br>i. **Dispatch of redemption proceeds -** As per para 14.2 of SEBI Master Circular on Mutual Funds dated June 27, 2024, the Fund shall dispatch/transfer the redemption / repurchase proceeds within 3 working days, from the date of acceptance of redemption request at any of the Investor Service Centres.<br>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 timelines for making redemption payments.<br>ii. **Dispatch of IDCW (if applicable) etc. -** As per para 11.4 of SEBI Master Circular on Mutual Funds dated June 27, 2024 the AMC shall dispatch/credit payment of the dividend proceeds within 7 working days from the record date. |



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<table>
<tr><th>Sr. No.</th><th>Title</th><th>Description</th></tr>
<tr><td>X.</td><td>Plans and Options<br>Plans / Options and sub-options under the Scheme</td><td>
Plans under the Scheme:
<ul><li>Direct Plan</li><li>Regular Plan</li></ul>
Both the Plans have following options -
<ul><li>Growth</li><li>Income Distribution cum Capital Withdrawal Option (IDCW)</li></ul>
Sub-options under IDCW:
<ul><li>Payout of IDCW</li><li>Reinvestment of IDCW</li></ul>
Frequency of IDCW:
<ul><li>Quarterly (Payout and Reinvestment) or at such intervals as may be decided by the Board of Directors of Trustee Company.</li></ul>
The Growth Option shall be default Option under the Plans of the Scheme and Quarterly IDCW (Reinvestment) shall be default Sub Option.<br>
The following table details the Plans / Options / Sub-options available in the Scheme and its dividend frequencies:
<table>
<tr><th>Plans</th><th>Options</th><th>Sub-Options</th><th>Frequency of dividend declaration</th><th>Record Date</th></tr>
<tr><td rowspan="2">Regular and Direct</td><td>Growth</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Income Distribution cum Capital Withdrawal Option (IDCW)</td><td>Quarterly IDCW (Payout & Reinvestment)</td><td>Quarterly</td><td>25th of every calendar Quarter end^</td></tr>
</table>
^ If such day is a holiday, then the record date shall be the immediately succeeding Business Day.<br>
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 exdividend date at applicable NAV.<br>
The amount of dividend reinvested will be net of applicable taxes.<br>
For detailed disclosure on default plans and options, kindly refer SAI.
</td></tr>
<tr><td>XI.</td><td>Load Structure</td><td>Exit Load: Nil<br>The exit loads set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively.</td></tr>
<tr><td>XII.</td><td>Minimum Application Amount / switch-in</td><td>On continuous basis<br>For lumpsum investments:<br>Rs. 5,000/- per application and in multiples of Re. 1/- thereafter. Minimum application amount is applicable for switch-ins as well.<br>Note: Allotment of units will be done after deduction of applicable stamp duty and transaction charges, if any.</td></tr>
<tr><td>XIII.</td><td>Minimum Additional Purchase Amount</td><td>Rs 1,000/- and in multiples of Re. 1/- thereafter</td></tr>
<tr><td>XIV.</td><td>Minimum Redemption/ switch out amount</td><td>Rs 500/- and in multiples of Re. 1/- thereafter or 50 units and in multiples of 0.01 unit thereafter.</td></tr>
<tr><td>XV.</td><td>New Fund Offer Period<br>(This is the period during which a new scheme sells its units to the investors.)</td><td>Not applicable</td></tr>
</table>



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| Sr. No. | Title | Description |
|---|---|---|
| XVI. | **New Fund Offer Price:**<br>(This is the price per unit that the investors have to pay to invest during the NFO.) | Not Applicable<br>Face value of Rs. 10/- per unit |
| XVII. | **Segregated portfolio/side pocketing disclosure** | The AMC may create segregated portfolio of debt and money market instruments in a mutual fund scheme in case of a credit event/actual default and deal with the liquidity risk. Currently, the scheme does not have any segregated portfolio. For Details, kindly refer SAI. |
| XVIII | **Swing pricing disclosure** | In case of severe liquidity stress or a severe dysfunction at market level, the Swing Pricing guidelines get triggered which offers the contingency plan in case all else fails.<br>For details, kindly refer SAI. |
| XIX. | **Stock lending/short selling** | The scheme may participate in securities lending as permitted under the Regulations from time to time. The scheme may engage in short selling of securities in accordance with the applicable guidelines. For Details, kindly refer SAI. |
| XX. | **How to apply and other details** | Investor can apply for HSBC Mutual Fund scheme in physical form or Demat form. 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 Depository Participant(DP) of NSDL/CDSL Investor can also chose to invest through the Fund's website, i.e, https://invest.assetmanagement.hsbc.co.in. or the 'Invest Xpress' mobile application or the website of the Fund's Registrar & Transfer Agent (CAMS), i.e. www.camsonline.com<br>The applications filled up and duly signed by the applicants may be submitted at the AMC Investor Service Centres(ISC)/CAMS Service Centre/Official Points of Acceptance. Please check weblink (List of Official Point of Acceptance (OPA), Collection Bankers etc.) for an updated list of the Official Points of Acceptance, collecting banker of HSBC Mutual Fund.<br>The investor can also apply through website/mobile application of MFUI which 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.<br>Investors are required to complete Common KYC formalities and ensure that the PAN is linked to Aadhaar for all the holders.<br>For more details refer Section II. |
| XXI. | **Investor services** | **Contact details for general service requests and complaint resolution:**<br>The investor can write to investor.line@mutualfunds.hsbc.co.in for any enquiries and complaints. The Fund will endeavour to resolve them promptly. Please visit our website www.assetmanagement.hsbc.co.in for more details on grievance redressal mechanism.<br>Mr. Ankur Banthiya is currently designated as the Investor Relations Officer. His contact details are as follows:<br>**HSBC Asset Management (India) Private Limited**<br>Address Unit No. 62, 1st Floor, Parade View,<br>Rukmani Lakshmipathi Salai, Egmore,<br>Chennai, Tamil Nadu-600008, India<br>Tel. : 1800-200-2434/1800-4190-200<br>Email: investor.line@mutualfunds.hsbc.co.in |
| XXII | **Specific attribute of the scheme (such as lock in, duration in case of target maturity scheme/ close ended schemes) (as applicable)** | None |



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| Sr. No. | Title | Description |
|---|---|---|
| XXIII | **Special product/facility available during the NFO and on ongoing basis** | **Special Products / Facilities available/offered to the investors under the Scheme:**<br>• **Systematic Investment Plan**<br>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.<br>• **SIP Top Up Facility:**<br>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.<br>• **Pause Facility ("SIP Pause Facility")**<br>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.<br>• **Multi Scheme Systematic Investment Plan:**<br>This facility enables investors to start investments under SIP of various schemes using a single application form and payment instruction.<br>• **Systematic Transfer Plan**<br>Unitholders of the Scheme can benefit by transferring specific rupee amounts periodically, for a continuous period. STP allows the investors to transfer a fixed amount at a specified frequency or Capital Appreciation on the 1st Business Day of the 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 scheme and providing a standing instruction to transfer sums at Daily, Weekly, Fortnightly, Monthly and Quarterly intervals into any open ended Schemes of HSBC Mutual Fund. Investors could also opt for STP from an existing account by quoting their account / folio number.<br>• **Flex Systematic Transfer Plan ("Flex STP")**<br>Flex STP is a facility available in open ended Schemes of HSBC Mutual Fund. Under this facility unitholder(s) can opt to transfer variable amount(s) linked to value of investments under Flex STP on the date of transfer at predetermined intervals from designated open ended Scheme(s) of HSBC Mutual Fund except HSBC ELSS Tax Saver Fund & HSBC Tax Saver Equity Fund to the Growth option of all open ended schemes of HSBC Mutual Fund where subscription is allowed.<br>• **Systematic Withdrawal Plan**<br>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. |



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| Sr. No. | Title | Description |
|---|---|---|
| | | • **Money Withdrawal Facility (MWF):**<br>Money Withdrawal Facility (MWF) is the nomenclature of the facility and should not be construed as an assurance of returns/performance of the Scheme.<br>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.<br>• **Income Distribution cum Capital Withdrawal Plan Transfer Facility**<br>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").<br>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.<br>• **Facilitating transactions through Stock Exchange Mechanism (BSE Star & NSE MFSS)**<br>In terms of para 16.2 of SEBI Master Circular on Mutual Funds dated June 27, 2024, units of the Scheme can be transacted through all the registered stockbrokers 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 stockbrokers shall be eligible to be considered as 'official points of acceptance' of AMC.<br>For further details of above special products/facilities, kindly refer SAI. |
| **XXIV.** | **Weblink** | **Link for Daily TER and TER for last 6 months:** Daily TER and TER for last 6 months<br>**Link for Factsheet:** Factsheet |



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## DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

**It is confirmed that:**

(i) The Scheme Information Document submitted 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 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 Scheme.

(iv) The intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

(v) The contents of the Scheme Information Document including figures, data, yields etc. have been checked and are factually correct.

(vi) A confirmation that the AMC has complied with the compliance checklist applicable for Scheme Information Documents and other than cited deviations / that there are no deviations from the regulations.

(vii) Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.

(viii) The Board of Directors of Trustee Company have ensured that HSBC Medium to Long Duration 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.

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

Sd/-

**Sumesh Kumar**
***Compliance Officer***

Place : Mumbai
Date : May 30, 2025.



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# PART II. INFORMATION ABOUT THE SCHEME

## A. 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 allocations (% of total assets) | |
|---|---|---|
| | Minimum | Maximum |
| Debt & Money market instruments such that Macaulay duration* of the portfolio is between 4 years# to 7 years | 0 | 100 |
| **Asset allocation under anticipated adverse situation** | | |
| Debt & Money market instruments such that Macaulay duration* of the portfolio is between 1 year# to 7 years | 0 | 100 |

*The Macaulay duration is the weighted average term to maturity of the cash flows from a bond/instrument. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.

# The fund manager, in the interest of investors, may reduce the portfolio duration up to one year, in case the fund manager has a view on interest rate movements in light of anticipated adverse situation. Hence, Portfolio Macaulay duration under such anticipated adverse situation would be between 1 year to 7 years.

Whenever the portfolio Macaulay duration is reduced below the specified floors of 4 years, the AMC shall record the reasons for the same with adequate justification and maintain the same for inspection. The written justifications shall also be placed before the Board of Directors of Trustee Company in the subsequent Trustee meeting.

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.

The scheme may invest in repo in corporate bonds of public sector or private sector undertakings. The Scheme may also enter into "Repo" and Stock Lending. The Scheme may invest in securitized debt upto 40% of its total assets.

The Scheme will not make investments in foreign securities.

The Scheme may invest in derivatives up to 50% of the total assets of the Scheme for the purpose of hedging and portfolio balancing purposes. Further, in line with para 12.25.9 of SEBI Master Circular on Mutual Funds dated June 27, 2024, the scheme is permitted to imperfectly hedge their portfolio or a part of their portfolio by using Interest Rate Futures. These may include instruments such as interest rate swaps, interest rate futures, credit default swaps, forward rate agreements, etc.

The Scheme may engage in short selling and securities lending. In this regard, the Scheme may take exposure to securities lending 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 counter- party/intermediary.

The cumulative gross exposure through, debt, derivative positions including fixed income derivatives, repo transactions and credit default swaps in corporate debt securities, and such other securities/assets as may be permitted by SEBI from time to time, subject to approvals, if any, shall not exceed 100% of the net assets of the Scheme.

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.

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 June 27, 2024 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.

All investments shall be Subject to compliance with 'Restrictions on Investment in debt instruments having Structured Obligations/Credit Enhancements' as prescribed under para 12.3 of SEBI Master Circular on Mutual Funds dated June 27, 2024 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.

### Investment by Mutual Fund Schemes and AMCs in the units of 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 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.

**Indicative Table** (Actual instrument/percentages may vary subject to applicable SEBI circulars)

| Sr. No. | Type of Instrument | Percentage of exposure (% of net assets) | Circular references/clause references of SEBI Master Circular on Mutual Funds dated June 27, 2024 |
|---|---|---|---|
| 1. | Securities Lending | Permissible Upto 20% | Clause 12.11 |
| 2. | Debt Derivatives for non- hedging purposes | Permissible Upto 50% of total debt portfolio | Clause 12.25 |
| 3. | Securitized Debt | Permissible Upto 40% | Clause 12.15 |
| 4. | Overseas Securities | Not Permissible | Clause 12.19 |
| 5. | ReITS and InVITS | Not Permissible | Clause 12.21 |
| 6. | AT1 (Additional Tier 1) and AT2 (Additional Tier 2) Bonds | Permissible Upto 10% of the NAV of the debt portfolio | Clause 12.2 |
| 7. | Any other instrument | | |
| a. | Structured Obligations/Credit Enhancements' | Permissible Upto 10% | Clause 12.3 |
| b. | Units of Corporate Debt Market Development Fund | Permissible 25 bps of AUM | Clause 16A.2 |
| d. | Deposits in Scheduled commercial bank | Permissible | Clause 12.16 |
| e. | Interest Rate Swaps | Permissible | Clause 12.25.5 |
| f. | Interest Rate Futures | Permissible | Clause 12.25.9 |
| 8 | Interest Rate Forwards | Permissible | |
| h. | Forward rate agreement | Permissible | Clause 7.6.1 |
| i. | Credit Default Swaps | Permissible upto 10% | Clause 12.28 read with SEBI Circular dated September 20, 2024 as amended from time to time. |

### 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.

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

Due to market conditions, the AMC may invest beyond the range set out in the asset allocation. Such deviations shall normally be for a short term and defensive considerations as per para 1.14.1.2 of SEBI Master Circular on Mutual Funds dated June 27, 2024 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

Further, as per para 2.9 of SEBI Master Circular on Mutual Funds dated June 27, 2024, 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 June 27, 2024.

## B. WHERE WILL THE SCHEME INVEST?

The corpus of the Scheme will be invested primarily in a range of debt and money market instruments such that Macaulay duration of the portfolio is between 4 years to 7 years.

The Scheme aims to provide investors with income, with appropriate liquidity, and therefore will invest in a mix of debt and money market instruments, over varying maturities.

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 (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.
- Money market instruments permitted by SEBI and/or RBI, having residual maturities of up to 1 year.
- Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure.
- Certificate of Deposits (CDs).
- Commercial Paper (CPs).
- Bills of Exchange/Promissory Notes.
- Securitised Debt.
- TREPS & reverse repos.
- Repurchase and reverse repurchase obligations in securities.
- Derivatives.
- The non-convertible part of convertible securities.
- Any other domestic fixed income securities.
- Investments in overseas mutual funds or unit trusts which invest in the permitted foreign debt securities or the permitted foreign government securities or which are rated and registered with overseas regulators.
- Any international fixed income securities, as may be permitted from time to time
- 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 from time to time.

The Scheme shall not participate in repo in corporate debt securities until it complies with the requirements as stated under para 12.18 of SEBI Master Circular on Mutual Funds dated June 27, 2024. The securities mentioned above could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity as enabled under SEBI MF Regulations/circulars/RBI. The securities may be acquired through New Fund Offers (NFOs), secondary market operations and private placement, rights offers or negotiated deals.

### Concept of Macaulay Duration

The Macaulay duration calculates the weighted average time before a bondholder would receive the bond's cash flows. In other words, it is the weighted average number of years an investor must stay invested in the bond to break even. Mathematically, it is the time- weighted Present Value of cash flows divided by the market price of the bond. Macaulay duration is directly related to the tenor of the bond and inversely related to the coupon of the bond.

$$\text{Macaulay Duration} = \frac{\sum_{t=1}^{n} \frac{t \times C}{(1+y)^t} + \frac{n \times M}{(1+y)^n}}{\text{Current Bond Price}}$$

Where,

t = period in which the coupon is received

C = periodic (usually semiannual) coupon payment

y = the periodic yield to maturity n = number of periods M = maturity value

n = Total number of periods

Refer Section II for more details.

## C. WHAT ARE THE INVESTMENT STRATEGIES?

### Investment Approach and Risk Control

The Scheme aims to provide investors with income, with appropriate liquidity, and therefore will invest in a mix of debt and money market instruments, over varying maturities.

The AMC's view of interest rate trends will be reflected in the type and the maturity dates of instruments in which funds are invested. In pursuing such a policy, it should be recognized that the best overall returns are achieved by anticipating or reacting to interest rate changes rather than aiming for the highest possible interest rates at all times.

The best resultant overall return is therefore achieved through both capital appreciation and income, which may result in somewhat lower yields than might otherwise normally appear obtainable from the relevant securities. The Scheme aims to provide investors with actively managed portfolios of interest bearing transferable debt and money market instruments.

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.

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 would use this analysis to attempt to predict the likely direction of interest rates and position the portfolio appropriately to take advantage of the same.

The Fund may invest a part of the portfolio 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 Government of India (GOI)/state government in some other way.

Given that the liquidity of fixed income instruments is currently limited, the AMC will try to provide liquidity by staggering maturities for various instruments, as well as holding a sufficient portion of the portfolio in more liquid government and corporate paper as well as money market 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. As per the Regulations, no investment management fees will be charged for such investments.

### Disclosure on derivatives exposure for non-hedging purpose

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 interest rate swaps, forward rate agreements or such other derivative instruments as may be introduced from time to time as permitted under the SEBI Regulations and guidelines.

The Scheme may invest in derivatives up to 50% of the total debt assets of the Scheme for the purpose of hedging and portfolio balancing purposes.

### Disclosure on derivatives products as part of investment strategy

The Scheme may invest in various derivatives instruments including interest rate swaps, credit default swaps, currency swaps and forward contracts which are available for investment in Indian marketsfrom time to time and which are permissible under the SEBI Regulations and by the RBI from time to time. Investment in such instruments will be made in accordance with the investment objective and the strategy of the Scheme for efficient portfolio balancing including for the purpose of hedging and portfolio balancing and optimising returns to the extent permitted under and in accordance with the applicable Regulations. 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.

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.

### 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.

## Interest Rate Swaps:

Interest Rate Swaps is an agreement between two parties (counterparties) to exchange payments at specified dates on the basis of a specific amount with reference to a specified reference rate. Swap Agreements provide for period payment dates for both parties where payments are netted and only the net amount is paid to the counterparty entitled to receive the net payment. Consequently, the Debt Scheme's current obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement, based on the relative values of the possession held by each counterparty.

**Example of a swap transaction:**

Assume that a Debt Scheme has a Rs. 50 crores floating rate investment linked to MIBOR (Mumbai Inter Bank Offered Rate). Thus, the Scheme has a potential interest rate risk and stands to incur a loss if the interest rate moves down. To hedge this interest rate risk, the Scheme can enter into a 6 month MIBOR swap on July 1, 2021 for 6 months that is upto January 1, 2017. Through this swap, the Scheme will receive a fixed determined rate (assume 6%) and pays the 'benchmark rate' (MIBOR), which is fixed by an intermediary who runs a book and matches deals between various counterparties, such intermediary could be the NSE or the Reuters. This swap would effectively lock in the interest rate of 6% for the next 6 months, eliminating the daily interest rate risk.

On January 1, 2017 the Scheme is entitled to receive interest on Rs. 50 crores at 6% for 180 days i.e., Rs. 1.5 crores (this amount is known at the time the swap is concluded) and will pay the compounded benchmark rate. The counterparty is entitled to receive the daily compounded call rate for 180 days and pay 6% fixed rate. On January 1, 2017, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 1.5 crores, the Scheme will pay the difference to the counterparty. 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 6% p.a. for 6 months without lending money for 6 months fixed, whilst the counterparty pays interest @ 6% p.a. for 6 months on Rs. 50 crores without borrowing for 6 months fixed.

## Forward Rate Agreement:

Forward rate agreement is a transaction in which the counterparties agree to pay or receive the difference between an agreed fixed rate and the interest rate prevailing on a stipulated future date, based on a notional amount, for an agreed period. As the interest rate is fixed now for a future period, the only payment is the difference between the agreed fixed rate and the reference rate in the future. As in the case of interest rate swaps, only notional amounts are exchanged.

Assume that on June 30, 2017, the 90 day commercial paper (CP) rate is 6.75% and the Scheme has an investment in a CP of face value Rs. 25 crores which is going to mature on September 30, 2017. If the interest rates are likely to remain stable or decline after September 2017, and if the fund manager, who wants to re-deploy the maturity proceeds for 3 more months, does not want to take the risk of interest rates going down, he can then enter into a following forward rate agreement (FRA) say as on June 30, 2017:

He can receive 3 X 6 FRA on June 30, 2017 at 6.75% (FRA rate for 3 months lending in 3 months time) on the notional amount of Rs. 25 crores, with a reference rate of 90 day CP benchmark. If the CP benchmark on the settlement date i.e. September 30, 2017 falls to 6.5%, then the Scheme receives the difference 6.75 - 6.5 i.e. 25 basis points on the notional amount of Rs. 25 crores for 3 months. The maturity proceeds are then reinvested at say 6.5% (close to the benchmark). The Scheme, however, would have locked in the rate prevailing on June 30, 2017 (6.75%) as it would have received 25 basis points more as settlement amount from FRA. Thus, the fund manager can use FRA to mitigate the reinvestment risk.

In this example, if the rates move up by 25 basis points to 7% on the settlement date (September 30, 2017), the Scheme loses 25 basis points but since the reinvestment will then happen at 7%, effective returns for the Scheme is unchanged at 6.75%, which is the prevailing rate on June 30, 2017.

## Forward Contracts:

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.

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 ₹ 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. 44.63 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 investments in forward contracts will be made by the Scheme as and when permitted under the Regulations.



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### Imperfect Hedging using IRF:

IRF can be taken at portfolio level to reduce the interest rate risk of the portfolio or part of the portfolio (including one or more securities).

However, in case the IRF used for hedging the interest rate risk has different underlying security(s) than the existing position being hedged, it would result in imperfect hedging ie basis risk. In order to reduce the basis risk for the portfolio hedging strategy, the correlation between the portfolio or part of the portfolio (excluding the hedged portions, if any) and the IRF would be atleast 0.9 at the time of initiation of hedge. The correlation should be calculated for a period of last 90 days. Additionally, imperfect hedging using IRFs would be restricted upto maximum of 20% of the total assets of the Scheme.

Example –

Date: March 01, 2021

Spot price of the Government Security: Rs. 107.23 Price of IRF– March contract: Rs. 107.35

On March 01, 2021, Fund buys 1000 units of the Government security from the spot market at Rs. 107.23. Subsequently, it is anticipated that the interest rate will rise in the near future.

Therefore, to hedge the exposure in underlying Government security, Fund sells March 2021 Interest Rate Futures contracts at Rs. 107.35.

On March 22, 2021 due to increase in interest rate: Spot price of the Government Security: Rs. 106.25 Futures Price of IRF Contract: Rs. 106.30

Loss in underlying market will be (106.25 – 107.23) *1000 = (Rs. 980) Profit in the Futures market will be (106.30 – 107.35) *1000 = Rs. 1,050

### Strategies for fixed income derivatives

a) **Bond – OIS 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.

b) **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 if the view is that overnight rates will fall.

c) **Buy Interest Rate Futures (IRF):** To hedge an underlying exposure of government securities or corporate bonds, the fund manager may sell similar tenor bonds under Interest Rate futures contracts if he has a bearish view. When rates rise, the market value of the gilt/bonds will go down but the market value of the futures contract will go up and hence the overall loss could be minimized.

d) **Interest Rate Swaps (IRS):** All swaps are financial contracts, which involve exchange (swap) of a set of payments owned by one party for another set of payments owned by another party, usually through an intermediary (market maker). An IRS can be defined as a contract 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.

   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.

e) **Forward Rate Agreements (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. However, there is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party to comply with the terms of the contract. To the extent that settlements of contracts are not guaranteed by an exchange or clearing corporation, hence, there is the risk of a counterparty to a deal defaulting in payment.

f) **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).

g) **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.

For detailed investment strategy on derivatives refer SAI.

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

### Benchmark Index (i.e. First Tier Benchmark based on the PRC):

The performance of the Scheme will be benchmarked with NIFTY Medium to Long Duration Debt Index A-III.

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.

### Justification for benchmark

The Scheme/Plan(s) are being benchmarked against its index as mentioned above, since the composition of its Index is in line with the investment objective of the Scheme/Plan(s) and is most suited for comparing performance of the Scheme/Plan(s). It will also enable the investors to arrive at a more informed judgement on scheme's performance.

## E. WHO MANAGES THE SCHEME?

Mohd. Asif Rizwi (Fixed Income), Shriram Ramanathan (Fixed Income) are the Fund Managers of the Scheme.

**The details of the Fund Manager are:**

| Name of Fund Manager | Age (Years) | Educational Qualifications | Years of Experience with description |
|---|---|---|---|
| **Shriram Ramanathan** | 48 | B.E (Electrical), PGDBM – XLRI, CFA | Over 24 years of experience.<br>**HSBC Asset Management (India) Private Limited**<br>as CIO - Fixed Income (Since November 26, 2022)<br>***Prior Assignments:***<br>**L&T Investment Management Limited**<br>as Head of Fixed Income from July 6, 2012 to November 25, 2022.<br>**FIL Fund Management Private Limited**<br>as Portfolio Manager - Fixed Income from December 2009 to June 2012.<br>**ING Investment Management Asia Pacific (Hong Kong)**<br>as Senior Investment Manager – Global Emerging Market Debt (Asia) from September 2005 to October 2009<br>**ING Investment Management (India) Private Limited** as Portfolio Manager - Fixed Income from June 2003 to September 2005.<br>**Zurich (India) Asset Management Company**<br>as Dealer/Research - Fixed Income from September 2001 to June 2003<br>**ICICI Limited** Mumbai<br>as Treasury from June 2000 to September 2001<br>**Larsen & Toubro Limited** in Design Department, Switchgear Group from August 1997 to May 1998 |
| **Mohd. Asif Rizwi** | 40 | PGDM from IIM Calcutta & B. Tech (Chemical Engineering) from IIT Bombay | Over 15 years of experience<br>**HSBC Asset Management (India) Private. Limited**<br>as SVP - Fund Management Fixed Income (Since November 26, 2022)<br>***Prior Assignments:***<br>**L&T Investment Management Ltd.**<br>as Senior Dealer in Fixed Income since May 11, 2020 to November 25, 2022<br>**Yes Bank Ltd**<br>as Executive Vice President from April 2020, 2015 to May 08, 2020.<br>**ICICI Bank Ltd.**<br>as Senior Manager from May 9, 2012 to April 18, 2015.<br>**Deutsche Bank Global Markets Centre**<br>as Senior Analyst from July 2007 to May 2010. |



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

| Name of the Scheme(s) | Fund Manager |
|---|---|
| HSBC Aggressive Hybrid Fund | Cheenu Gupta & Gautam Bhupal (Equity), Shriram Ramanathan & Mohd. Asif Rizwi (Fixed Income) and Sonal Gupta (Foreign Securities) |
| HSBC Arbitrage Fund | Praveen Ayathan (Arbitrage) Hitesh Gondhia (Arbitrage), Mahesh Chhabria & Mohd. Asif Rizwi (Fixed Income) |
| HSBC Balanced Advantage Fund | Neelotpal Sahai & Gautam Bhupal (Equity), Praveen Ayathan & Hitesh Gondhia (Arbitrage portion), Mahesh Chhabria & Mohd. Asif Rizwi (Fixed Income) and Sonal Gupta (Overseas Investments) |
| HSBC Conservative Hybrid Fund | Mahesh Chhabria & Mohd. Asif Rizwi (Fixed Income), Cheenu Gupta & Abhishek Gupta (Equity) and Sonal Gupta (Overseas Investments) |
| HSBC Corporate Bond Fund | Mohd. Asif Rizwi & Shriram Ramanathan (Fixed Income) |
| HSBC Credit Risk Fund | Shriram Ramanathan (Fixed Income) |
| HSBC CRISIL IBX 50-50 Gilt Plus SDL Apr 2028 Index Fund | Mahesh Chhabria (Fixed Income) & Mohd. Asif Rizwi |
| HSBC CRISIL IBX Gilt June 2027 Index Fund | Mahesh Chhabria (Fixed Income) & Mohd. Asif Rizwi |
| HSBC Dynamic Bond Fund | Mahesh Chhabria & Shriram Ramanathan (Fixed Income) |
| HSBC Equity Savings Fund | Cheenu Gupta & Abhishek Gupta (Equity), Praveen Ayathan & Hitesh Gondhia (Arbitrage) Mahesh Chhabria & Mohd. Asif Rizwi (Fixed Income) and Sonal Gupta (Overseas Investment) |
| HSBC Gilt Fund | Mohd. Asif Rizwi & Shriram Ramanathan (Fixed Income) |
| HSBC Income Plus Arbitrage Active FOF | Mohd. Asif Rizwi & Mahesh Chhabria (Fixed Income) |
| HSBC Low Duration Fund | Shriram Ramanathan & Mohd. Asif Rizwi (Fixed Income) |
| HSBC Medium Duration Fund | Shriram Ramanathan (Fixed Income) |
| HSBC Multi Asset Allocation Fund | Cheenu Gupta (Domestic Equity), Mahesh Chhabria & Mohd. Asif Rizwi (Fixed Income), Dipan Parikh (Gold / Silver ETFs) and Sonal Gupta (Overseas Investment) |
| HSBC Short Duration Fund | Mohd. Asif Rizwi & Shriram Ramanathan (Fixed Income) |

## F. HOW IS THE SCHEME DIFFERENT FROM EXISTING SCHEMES OF THE MUTUAL FUND?

Comparison with other actively managed open ended debt oriented schemes of HSBC Mutual Fund is as under. Please refer to weblink (Product Differentiation) for detailed comparative table.

| Sr. No. | Scheme Name | Scheme Category | Type of Scheme |
|---|---|---|---|
| 1. | HSBC Banking and PSU Debt Fund | Banking and PSU Fund | An open-ended debt scheme primarily investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. A relatively high interest rate risk and relatively low credit risk. |
| 2. | HSBC Corporate Bond Fund | Corporate Bond Fund | An open-ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and relatively low credit risk. |
| 3. | HSBC Credit Risk Fund | Credit Risk Fund | An open-ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds). A relatively high interest rate risk and relatively high credit risk. |
| 4. | HSBC Dynamic Bond Fund | Dynamic Bond Fund | An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively low credit risk |
| 5. | HSBC Gilt Fund | Gilt Fund | An open-ended debt scheme investing in government securities across maturity. A relatively high interest rate risk and relatively low credit risk. |

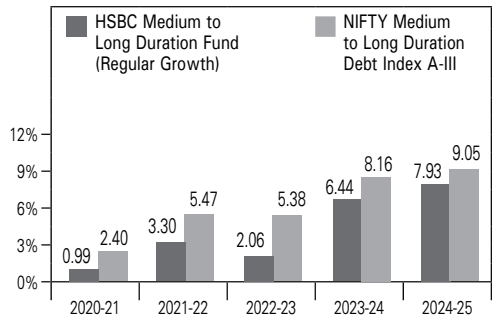
| Sr. No. | Scheme Name | Scheme Category | Type of Scheme |
|---|---|---|---|
| 6. | HSBC Liquid Fund | Liquid Fund | An open-ended liquid scheme. Relatively low interest rate risk and moderate credit risk. |
| 7. | HSBC Low Duration Fund | Low Duration Fund | An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months. (Please refer page 11 of the SID for explanation on Macaulay Duration). A relatively low interest rate risk and moderate credit risk. |
| 8. | HSBC Medium Duration Fund | Medium Duration Fund | An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years (please refer to page no. 12 in the SID for details on Macaulay's Duration). Relatively high interest rate risk and moderate credit risk. |
| 9. | HSBC Money Market Fund | Money Market Fund | An open-ended debt scheme investing in money market instruments. Relatively low interest rate risk and moderate credit risk |
| 10. | HSBC Overnight Fund | Overnight Fund | An open-ended debt scheme investing in overnight securities. Relatively low interest rate risk and relatively low credit risk |
| 11. | HSBC Short Duration Fund | Short Duration Fund | An open ended short term debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 1 year to 3 years (please refer to page no. 11 of SID for details on Macaulay's Duration). A Moderate interest rate risk and Relatively Low credit risk. |
| 12. | HSBC Ultra Short Duration Fund | Ultra Short Duration Fund | An open ended ultra-short term debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 3 months to 6 months. (Please refer Page No. 11 for explanation on Macaulay's duration). Relatively Low interest rate risk and moderate credit risk. |

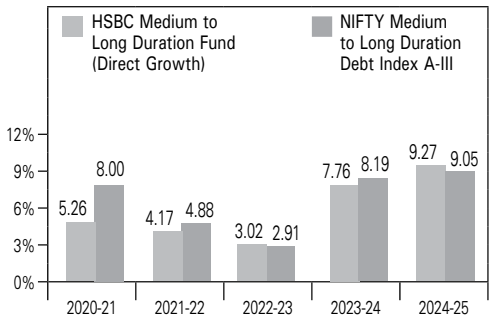
## G. HOW HAS THE SCHEME PERFORMED ?

**Scheme performance as on April 30, 2025.**

| Compounded Annualised Returns | Scheme Returns % | | Benchmark Returns % | |
|---|---|---|---|---|
| | Regular Plan | Direct Plan | Regular Plan | Direct Plan |
| Returns for the last 1 year | 10.23 | 11.59 | 11.25 | 11.25 |
| Returns for the last 3 years | 6.54 | 7.76 | 7.80 | 7.80 |
| Returns for the last 5 years | 4.97 | 6.04 | 6.78 | 6.78 |
| Returns since inception | 6.64 | 7.17 | 7.02 | 7.66 |
| Date of Inception : Regular Plan - December 10, 2002, Direct Plan - January 1, 2013 | | | | |

**Absolute Returns for each financial year for the last 5 years**




**Past performance may or may not be sustained in the future.**

**Performance of the benchmark is calculated as per the Total Return Index (TRI).**

Returns are of Regular and Direct plan - Growth options. The returns for the respective periods are provided as on last business day of April 2025. Returns 1 year and above are Compounded Annualized. Standard benchmark is prescribed by SEBI and is used for comparison purposes. Different plans shall have a different expense structure.



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## H. ADDITIONAL SCHEME RELATED DISCLOSURES

i. Scheme's portfolio holdings (top 10 holdings by issuer and fund allocation towards various sectors.

Refer to the weblink (Top 10 holdings and Fund allocation towards various sectors) for Scheme's portfolio holdings.

ii. Disclosure of name and exposure to Top 7 issuers, stocks, groups and sectors as a percentage of NAV of the scheme in case of debt and equity ETFs/index funds through a functional website link that contains detailed description – Not applicable for this scheme

iii. Functional website link for Portfolio Disclosure :

– (Click here for Fortnightly Portfolio Disclosure).

– (Click here for Monthly Portfolio Disclosure).

– (Click here for Half Yearly Portfolio Disclosure).

iv. Portfolio Turnover Rate particularly for equity oriented schemes shall also be disclosed.

The Portfolio Turnover Ratio in case of debt fund is not applicable.

v. Aggregate investment as on April 30, 2025 in the Scheme by:

| Sr. No. | Category of Persons | Net Value | | Market Value (in Rs.) |
|---|---|---|---|---|
| | Concerned scheme's Fund Manager(s) | Units | NAV per unit | |
| 1. | Shriram Ramanathan | 274.08 | 47.02 | 12,887.74 |
| 2. | Mohd Asif Rizwi | 49.476 | 47.022 | 2326.460472 |

For any other disclosure w.r.t investments by key personnel and AMC directors including regulatory provisions in this regard kindly refer SAI.

vi. Investments of AMC in the Scheme

The AMC shall not invest in any of the schemes unless full disclosure of its intention to invest has been made in the Scheme Information Document and that the AMC shall not be entitled to charge any fees on such investment.

Kindly refer (weblink - Investments of AMC in the Scheme) for Investments of AMC in the Scheme.

### Investment by the AMC in the units of Corporate Debt Market Development Fund

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.

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, shallbe 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.

# PART III- OTHER DETAILS

## A. COMPUTATION OF NAV

### i. Computation of NAV

The NAV of Units under the Scheme / Plan(s) / Option(s) shall be calculated as shown below:

$$\text{NAV (Rs.)} = \frac{\text{Market or Fair Value of Scheme's investments (+) Current Assets (-) Current Liabilities and Provisions}}{\text{No. of Units outstanding under the Scheme / Option}}$$

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

For other details such as policies w.r.t computation of NAV, rounding off, investment in foreign securities, procedure in case of delay in disclosure of NAV etc. refer to SAI.

### ii. Methodology for calculation of sale and re-purchase of units –

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.

**Sale Price**

Sale Price = Applicable NAV Example

If the Applicable NAV is Rs. 15 and the sales load (i.e. Entry Load) is 0%, the sales price is calculated as follows:

Sales Price = 15 * (1+ 0)

= 15*1

= 15^

(^Pursuant to levy of stamp duty, the number of units allotted on the sale price to the unitholders would be reduced to that extent of @0.005% of the transaction value. Please refer for more details under "**Section III –> Other Details → C. TRANSACTION CHARGES AND STAMP DUTY**" clause of this document.)

**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:

Repurchase Price = 15 * (1 - 0.005)

= 15 * 0.995

= 14.925

The repurchase price however, will not be lower than 95% of the NAV subject to SEBI Regulations as amended from time to time.

For other details such as policies w.r.t computation of NAV, rounding off, investment in foreign securities, procedure in case of delay in disclosure of NAV etc. refer to SAI.

## B. NEW FUND OFFER (NFO) EXPENSES

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.

The NFO expenses of HSBC Medium to Long Duration Fund were borne by the AMC and were not charged to the Scheme.

## C. ANNUAL SCHEME RECURRING EXPENSES

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:

The AMC has estimated that upto 2.00% of the daily net assets of the scheme will be charged to the scheme as expenses.

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 a percentage limit of daily net assets in the table below:

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 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** |
|---|---|---|---|---|---|---|
| 2.00% | 1.75% | 1.50% | 1.35% | 1.25% | TER reduction of 0.05% for every increase of Rs. 5,000 crores of daily net assets or part thereof | 0.80% |

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 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) | 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 -<br>(i) 30 per cent of gross new inflows in the scheme, or<br>(ii) 15 per cent of the average assets under management (year to date) of the scheme, whichever is higher.<br>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.<br>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.<br>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.<br>** 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. |
| Regulation 52 (6A) (c) | 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.<br>However, in accordance with para 10.1.7 of SEBI Master Circular on Mutual Funds dated June 27, 2024, 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 June 27, 2024. |

For the actual current expenses being charged, the investor should refer to the website of the mutual fund.



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The AMC has estimated the following maximum expenses of the Scheme. Please refer to the table below for indicative details

| Expense Head | % p.a. of daily Net Assets* (Estimated p.a.) |
|---|---|
| Investment Management & Advisory Fee | Upto 2.00% |
| Audit fees/fees and expenses of trustees | |
| Custodial Fees | |
| Registrar & Transfer Agent Fees including cost of providing account statements/IDCW/redemption cheques/warrants | |
| Marketing & Selling Expenses including Agents Commission and statutory Advertisement | |
| Costs related to investor communications | |
| Costs of fund transfer from location to location | |
| Cost towards investor education & awareness (at least 2 bps) | |
| Brokerage & transaction cost pertaining to distribution of units# | |
| Goods & Services Tax on expenses other than investment and advisory fees | |
| Goods & Services Tax on brokerage and transaction cost@ | |
| Other Expenses (to be specified as per Reg 52 of SEBI MF Regulations) | |
| Maximum Total expenses ratio (TER) permissible under Regulation 52 (6) (c) | Upto 2.00% |
| Additional expenses under Regulations 52(6A)(c) | Upto 0.05% |
| Additional expenses for gross new inflows from specified cities^ | 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.

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.

(c) ^In terms of AMFI letter no. 35P/MEM-COR/85-a/2022-23 dated March 02, 2023, the B-30 incentive structure is kept in abeyance with effect from March 01, 2023 and shall be re-instated at a later date as per the guidelines received from SEBI/AMFI in this regards.

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 Board of Directors of Trustee Company 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.

***Impact of TER on returns of both Direct plan and Regular plan through an illustration is provided below for reference.**

| Description | | | 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% |
| **AUM after one month** | | | | |
| 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 | 6.00 | 6.00 |
| 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 Board of Directors of Trustee Company 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 company 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.**

## D. LOAD STRUCTURE

Load is an amount which is paid by the investor to redeem the units from the Scheme. 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 or may call at ISC or your distributor.

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.

| Type of Load | Load Structure (Including SIP/STP/SWP, wherever applicable) for Scheme/Plans.<br>Load chargeable (as %age of NAV) |
|---|---|
| Exit Load | NIL<br>The exit load set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively. |

Units issued on reinvestment of dividends shall not be subject to exit load for existing as well as prospective investors. 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 schemes. 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 Board of Directors of Trustee Company 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 along with 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.

# SECTION II

## I. INTRODUCTION

## A. DEFINITIONS/INTERPRETATION

Investors are requested to refer to weblink (Definition) for detailed descriptions of the words and expressions used in this SID.

### 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 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 "₹" 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).
- Words/phrases not defined herein shall have meanings as defined under SEBI (MF) Regulations.
- All references to "Master Circular" refer to Master Circular for Mutual Funds issued by SEBI dated June 27, 2024 as amended from time to time.

## B. RISK FACTORS

### Scheme specific risk factors

**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. In case of a floating rate instrument, this risk is lower as a result of periodic reset of the coupon. During the life of floating rate security or a swap the underlying benchmark index may become less active and may not capture the actual movement in the interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio.

  **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.

**Liquidity Risk for all Open-Ended Debt Schemes is measured and addressed through the below mentioned liquidity management tools.**

| Liquidity Management Tools | Brief Description |
|---|---|
| **Potential Risk Matrix (PRC) and Risk-o-meter (RoM)** | All debt schemes are bucketed in terms of Potential Risk Class matrix (PRC) based on maximum interest rate risk and credit risk parameters. PRC defines the maximum risk that a scheme will run as per design and RoM is the measurement of that risk on a regular basis. Remedial measures are in place in case any of the design boundaries are breached. |
| **Maintenance of minimum liquid assets in all open ended debt schemes and monitoring liquid assets through LRRaR and LR-CRaR framework provided by AMFI.** | All open ended debt schemes (except Overnight fund, Liquid fund, Gilt fund and Gilt Fund with 10-year constant duration) shall hold at least 10% of their net assets in liquid assets or liquidity ratio computed basis LR-RaR and LR-CRaR, whichever is higher.<br>Similarly, liquid funds shall comply with the requirement of maintaining liquid assets at 20% of their net assets or liquidity ratio computed basis LR-RaR and LR-CRaR, whichever is higher.<br>The Liquidity Risk Management framework defines the Liquidity Risk arising from liability side of the portfolio and covers all potential liquidity risk scenarios upto 99% confidence interval. The AMC measures and monitors liquidity risk on a monthly basis and has laid down action plan in case there is difference between actual outcome and projected outcome. |
| **Stress Testing** | Stress Testing is carried out for all open ended debt schemes (except overnight scheme) on a monthly basis as required by SEBI. The stress testing addresses the asset side risk taking into account the Interest Rate risk, Credit risk and Liquidity risk at an aggregate portfolio level and its impact on NAV. This asset side stress testing complements the liability side stress testing conducted through LR-RaR and CR-CRaR framework. The result of Stress Testing is reported to AMFI, Board of AMC and Trustee Company on an ongoing basis. |
| **Asset Liability Management** | Asset Liability Management covers monitoring of liquidity risk addressing asset liability mismatch upto a period of 90 days. The 90-day liability ratio is calculated taking into account investor behavior based on size of their investments and historic redemptions at an industry level. The 90-day liability ratio is compared with the Portfolio Liquidity ratio to ascertain if any asset liability mismatch exits. |
| **Swing Pricing** | In case of severe liquidity stress or a severe dysfunction at market level, the Swing Pricing guidelines get triggered which offers the contingency plan in case all else fails. |
| **Borrowing** | A fund may borrow to meet redemption requirements up to the limit allowed by the regulator from time to time |

- **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 “risk-free 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.


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- **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.

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

- Investments in money market instruments would involve a low credit risk i.e. risk of an issuer's liability to meet the principal payments.
- Money market instruments may also be subject to price volatility due to factors such as changes in interest rates, general level of market liquidity and market perception of credit worthiness of the issuer of such instruments.
- 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 Fund may use derivative instruments like interest rate swaps, forward rate agreements or other derivative instruments as permitted under the Regulations and guidelines.
- As and when the Scheme(s) trade in the derivatives market, there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialised instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require 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. 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 "counter party") 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. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.
- Also, the market for derivative instruments is nascent in India.
- 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 perused by the fund manager 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**

**Securitised Debt:** Securitised debt papers carry credit risk of the Obligors and are dependent on theservicingofthe 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 securitised 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. Securitised 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 securitised debt could be mortgages or other assets like credit card receivables, automobile/vehicle/personal/commercial/corporate loans and any other receivables/loans/debt.

***The risks associated with the underlying assets can be described as under:***

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.

**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 factors related to investments in Structured Obligations (SO)/Credit Enhancements (CE)**

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.

**Provisions relating to 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



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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 maybe exposed 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 maybe 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 associated with transaction in Units through Stock Exchange mechanism**

In respect of transactions in Units of the Scheme routed throughthe BSE StAR MF platform or any other recognised stock exchange platform as intimated by the AMC, allotment and redemption of Units on any Business Day will depend upon the order processing/settlement by BSE, or such other exchange and their respective clearing corporations on which the Fund has no control. Further, transactions conducted through the stock exchange mechanism shall be governed by the operating guidelines and directives issued by BSE or such other recognised exchange in this regard.

**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 factor associated with legal, tax and regulatory risk**

The Scheme 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.

### 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 Part II - " How will the Scheme Allocate its Assets and "Where will the Scheme Invest?".

## C. RISK MITIGATION 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 |
|---|---|
| Market Risk : Value of holdings may fall as a result of market movements | Investment approach supported by comprehensive research |
| Liquidity Risk : High impact costs | Robust process for periodic monitoring of liquidity |
| Concentration Risk : Risk on account of high exposure to a risk class | Investment across industries/sectors |
| Legal/Tax/Regulatory Risk : 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. |
| Event Risk : Price risk as a result of company or sector specific event | Usage of derivatives to hedge portfolios if required, in case of predictable events. |
| Valuation Risk : Risk on account of incorrect valuation | Valuation as per guidelines of Pricing and Valuation policy. Usage of third party valuation agent |
| Interest Rate Risk : Value of holdings may fall as a result of movements in interest rate | Determination of duration bands based on extensive macro-economic analysis. |
| Credit Risk: inability of the issuer to make timely principal and interest payments on the security | Internal Credit assessment to determine the repayment capabilities of the issuer with a reduced reliance on external ratings |

## II. INFORMATION ABOUT THE SCHEME

### A. WHERE WILL THE SCHEME INVEST?

The corpus of the Scheme will be invested primarily in a range of debt and money market instruments such that Macaulay duration of the portfolio is between 4 years to 7 years.

The Scheme aims to provide investors with income, with appropriate liquidity, and therefore will invest in a mix of debt and money market instruments, over varying maturities.

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 (includingbutnot 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.
- Money market instruments permitted by SEBI and/or RBI, having residual maturities of up to 1 year.
- Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure.
- Certificate of Deposits (CDs).
- Commercial Paper (CPs).
- Bills of Exchange/Promissory Notes.
- Securitised Debt.
- TREPS & reverse repos.
- Repurchase and reverse repurchase obligations in securities.
- Derivatives.
- The non-convertible part of convertible securities.
- Any other domestic fixed income securities.
- Investments in overseas mutual funds or unit trusts which invest in the permitted foreign debt securities or the permitted foreign government securities or which are rated and registered with overseas regulators.
- Any international fixed income securities, as may be permitted from time to time.
- 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 from time to time.
- The scheme may invest though Inter Scheme Transfers (IST) in compliance with para 12.30 of SEBI Master Circular on Mutual Funds dated June 27, 2024. 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 Board of Directors of Trustee Company for buying such a security.
- The Scheme may have 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.

The Scheme shall not participate in repo in corporate debt securities until it complies with the requirements as stated under para 12.18 of SEBI Master Circular on Mutual Funds dated June 27, 2024. The securities mentioned above could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity as enabled under SEBI MF Regulations/circulars/RBI. The securities may be acquired through New Fund Offers (NFOs), secondary market operations and private placement, rights offers or negotiated deals.

### Concept of Macaulay Duration

The Macaulay duration calculates the weighted average time before a bondholder would receive the bond's cash flows. In other words, it is the weighted average number of years an investor must stay invested in the bond to break even. Mathematically, it is the time- weighted Present Value of cash flows divided by the market price of the bond. Macaulay duration is directly related to the tenor of the bond and inversely related to the coupon of the bond.

$$\text{Macaulay Duration} = \frac{\sum_{t=1}^{n} \frac{t \times C}{(1+y)^t} + \frac{n \times M}{(1+y)^n}}{\text{Current Bond Price}}$$

Where,

t = period in which the coupon is received

C = periodic (usually semiannual) coupon payment

y = the periodic yield to maturity n = number of periods

M = maturity value

n = Total number of periods

### Securities/Stock Lending by the Mutual Fund

Subject to the Regulations and the applicable guidelines, the Scheme and the Plan(s) there under may, if the Board of Directors of Trustee Company permit, 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. Each 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 on the longer term holdings of the Scheme. The AMC shall report to the Board of Directors of Trustee Company 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.

### 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 CDMFD shall be paid 90% of the consideration in cash by CDMFD, 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.

### 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 Trustee Company. The details of such investments are communicated by the AMC to the Board of Directors of Trustee Company in their periodical reports along with a disclosure regarding how the parameters have been complied with. Such reportings 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 Trustee Company from time to time.

The Chief Investment Officer – Fixed Income and Fund Manager - Fixed Income present to the Board of the AMC and the Trustee Company periodically, the performance of the Scheme. The performance of the Scheme will be reviewed by the Boards with reference to its benchmark(s).

However, the Schemes' performance may not be strictly comparable with the performance of it's 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 – Fixed Income and Fund Manager – Fixed Income 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 Board of Directors of Trustee Company. The details on the Schemes' performance vis-à-vis the benchmark returns will be explained to the Board of Directors of Trustee Company.

The AMC will keep a record of all investment decisions.

### 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 authorized 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, authorized on, 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.

**The indicative yields and liquidity on various securities as on May 13, 2025 are as under:-**

| Issuer | Instrument | Maturity | Yields in % | Liquidity |
|---|---|---|---|---|
| GOI | Treasury Bill | 91 days | 5.75 - 5.85 | Medium to High |
| GOI | Treasury Bill | 364 days | 5.80 - 5.85 | Medium to High |
| GOI | Short Dated | 1 – 3 Yrs | 5.85 - 6.00 | Medium |
| GOI | Medium Dated | 3 – 5 Yrs | 5.90 - 6.10 | Medium to High |
| GOI | Medium Dated | 5 – 10 Yrs | 6.00 - 6.35 | High |
| GOI | Long Dated | 10 – 15Yrs | 6.25 - 6.60 | High |
| GOI | Long Dated | >15Yrs | 6.65 - 6.85 | Low to Medium |
| GOI | Reverse Repo/TREPS | 1 – 14 days | 5.75 - 6.00 | High |
| Corporate Debt | Taxable Bonds (AAA) | 364 days | 6.65 - 7.85 | Low to Medium |
| Corporate Debt | Taxable Bonds (AAA) | 1 – 3 Yrs | 6.65 - 8.45 | Medium |
| Corporate Debt | Taxable Bonds (AAA) | 3 – 5 Yrs | 6.65 - 7.65 | Medium |
| Corporate Debt | Taxable Bonds (AAA) | 5 – 10 Yrs | 6.35 - 8.00 | Medium |
| Corporate Debt | CPs (A1+) | 3 months | 6.50 - 9.20 | Low to Medium |
| Corporate Debt | CPs (A1+) | 1 Year | 6.70 - 8.95 | Low to medium |

## B. 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 Trustee Company 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 accordance with the para 12.1.5. of SEBI Master Circular on Mutual Funds dated June 27, 2024, 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 Trustee Company

3. 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, as per para 12.30 of SEBI Master Circular on Mutual Funds dated June 27, 2024 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 Board of Directors of Trustee Company for buying such a security.

4. 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.

5. 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.

6. 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.

7. Pending deployment of funds of the Scheme in terms of its investment objectives, the Scheme may invest its funds in short term deposits of scheduled commercial banks, as may be amended from time to time:

   - Pursuant to the para 12.16 of SEBI Master Circular on Mutual Funds dated June 27, 2024, 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 Board of Directors of Trustee Company.
   - 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.
   - AMC shall not be permitted to charge investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks.
   - The AMC will not charge any investment management and advisory fees for funds under the Scheme 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.

8. 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, except for investments by equity-oriented exchange traded funds and index funds, subject to such conditions as specified by SEBI and as amended from time to time.
9. 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.
10. No loans for any purpose shall be advanced by the Scheme.
11. The Scheme may lend securities in accordance with the securities lending scheme of SEBI.
12. The Scheme shall not invest in a fund of funds scheme.
13. 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.
14. 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 Trustee Company.

    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 Trustee Company.

    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.
15. 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.
16. The Scheme will comply with any other regulations applicable to the investments of mutual funds from time to time.
17. 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 of SEBI Master Circular on Mutual Funds dated June 27, 2024.
18. All investments in equities and fixed income securities should be undertaken in dematerialised form.
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.

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

The Board of Directors of Trustee Company 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 Trustee Company 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 Trustee Company of the Mutual Fund.

The AMC / Board of Directors of Trustee Company 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.

### Disclosure on internal norms w.r.t. exposure limits:

HSBC Holdings plc, the ultimate parent company of the AMC, is regulated by the Federal Reserve in the United States as a Financial Holding Company ("FHC") under "The U.S. Bank Holding Company Act of 1956" (including rules and regulations), as amended from time to time (the "BHCA"). As FHC, the activities of HSBC Holdings plc and its affiliates are subject to certain restrictions imposed by the BHCA. These restrictions may limit the Scheme's ability to purchase or hold certain investments. There can be no assurance that the regulatory requirements applicable to HSBC Group including AMC will not change, or that any such change will not have any material adverse effect on the investments or performance of the Schemes.

## C. FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the scheme, in terms of Clause 1.14 of SEBI Master Circular for Mutual Funds dated June 27, 2024:

**(i) Type of a scheme:**

- An open-ended medium to long term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 years to 7 years (please refer to page no. 11 of SID for details on Macaulay's Duration). Relatively high interest rate risk and relatively low credit risk.
- Medium to Long Duration Fund

**(ii) Investment Objective**

- **Main Objective -** To provide reasonable income through a diversified portfolio of fixed income securities such that the Macaulay duration of the portfolio is between 4 years to 7 years. There is no assurance that the investment objective of the scheme will be achieved.
- **Investment pattern -** The tentative portfolio break-up of Equity / Debt / Money Market instruments, other permitted securities and such other securities as may be permitted by SEBI from time to time with minimum and maximum asset allocation, while retaining the option to alter the asset allocation for a short-term period on defensive considerations. Refer Part II – Information about the scheme – A. How will the scheme allocate its assets? for more details.

| Potential Risk Class | | | |
|---|---|---|---|
| **Credit Risk →** | **Relatively Low (Class A)** | **Moderate (Class B)** | **Relatively High (Class C)** |
| **Interest Rate Risk ↓** | | | |
| **Relatively Low (Class I)** | | | |
| **Moderate (Class II)** | | | |
| **Relatively High (Class III)** | **A – III** | | |
| **Relatively High interest rate risk and relatively low credit risk.** | | | |

**Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology / guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.**

The Scheme would have the flexibility to move downwards on the risk scale. However, any permanent change in the positioning of a Scheme into a cell resulting in a risk (in terms of credit risk or duration risk) which is higher than the maximum risk specified for the chosen PRC cell, shall be considered as a fundamental attribute change of the Scheme in terms of Regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996.

However, the PRC value of a Scheme could change temporarily due to price movements, rating changes, investment actions, etc. Any such temporary change in the PRC cell of a scheme to a higher risk scale for either credit risk or duration risk beyond the maximum risk specified for the chosen PRC cell shall be subject to rebalancing in terms of provisions specified in the SID.

**(iii) Terms of Issue**

- Liquidity provisions such as listing, repurchase, redemption – Please refer to the relevant provisions under "**Part III – II. Information about the Scheme - D. Other Scheme Specific Disclosures**"

- Aggregate fees and expenses charged to the scheme – Please refer to "**Part III – C. Annual Scheme Recurring Expenses.**"
- Any safety net or guarantee provided – **Not applicable, as the scheme does not provide any safety net or guarantee**.

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations and Clause 1.14.1.4 of SEBI Master Circular for Mutual Funds dated June 27, 2024 the Board of Directors of Trustee Company shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s)/Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s)/Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- SEBI has reviewed and provided its comments on the proposal.
- 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 atleast 30 calendar days to exit at the prevailing Net Asset Value without any exit load.

## D. OTHER SCHEME SPECIFIC DISCLOSURES:

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| **Listing and transfer of units** | **i) Listing:**<br>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.<br>**ii) Transfer of units**<br>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.<br>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.<br>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.<br>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.<br>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. |



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| | 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.<br>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) 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. 5 lacs, on a case to case basis or depending upon the circumstances of each case.<br>Pursuant to AMFI Best Practice Guidelines Circular No.135/BP/116/2024-25 dated **August 14, 2024**, a facility for transfer of mutual fund units held in Non-Demat Statement of Accounts (SoA) mode.<br>• To enable the surviving joint holder to add name(s) in the folio upon demise of one or more joinholder(s);<br>• To facilitate transfer of units by the nominee of a deceased unitholder to the legal heirs post the transmission of units in the name of the nominee;<br>• To enable addition of the name of a parent / guardian, sibling, etc. as joint holder(s) in the folio, when a minor unitholder becomes a major and changed the status from a minor to a major.<br>Pursuant to AMFI Best Practice Guidelines Circular No.135/BP/119/2024-25 dated **May 08, 2025**, the above procedure has been extended to all investors under Resident/ Non-Resident Individual categories for the reasons like (i) Transfer to siblings (ii) Gifting of Units (iii) Transfer of units to third party (iv) Addition/deletion of unit holder.<br>This facility shall be available only through online mode via the transaction portals of our Registrar and Transfer Agent (i.e. CAMS) and the MF Central (as and when enabled), i.e., the transfer of units held in SoA mode shall not be allowed through physical/ paper based mode or via the stock exchange platforms, MFU, channel partners and EOPs etc. The Stamp duty for transfer of units, if/where applicable, shall be payable by the transferor.<br>Unitholders can refer https://digital.camsonline.com/transfer for more details and can follow the process available on website of our CAMS if intends to transfer of their units in aforesaid scenarios.<br>For further details, refer SAI. |
| **Dematerialization of units** | **Option to hold Units in dematerialized (Demat) form**<br>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). 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.<br>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 II. '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 IDCW distribution frequency is less than 1 month.<br>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, 1996, as may be amended from time to time.<br>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. |



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| **Minimum Target amount** (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.) | Not applicable, as there is continuous offer of Units of the Scheme (s) at NAV based prices. |
| **Maximum Amount to be raised (if any)** | Not Applicable |
| **Dividend (IDCW) Policy** | **IDCW Distribution Policy**<br>The Board of Directors of Trustee Company propose to follow the below dividend distribution policy:<br>Declaration of IDCW for the scheme is subject to the availability of distributable surplus. Such IDCWs if declared will be paid under normal circumstances, only to those Unit holders who have opted for Payout of IDCW option with specified sub-options. Further, no entry / exit load shall be charged for units allotted under Reinvestment of IDCW option.<br>However, it must be distinctly understood that the actual declaration of IDCWs 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 Board of Directors of Trustee Company reserve the right of IDCW declaration and to change the frequency, date of declaration and the decision of the Board of Directors of Trustee Company in this regard shall be final. There is no assurance or guarantee to Unit holders as to the rate of IDCW distribution nor that IDCW will be regularly paid.<br>The IDCW 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 IDCW will be at such rate as may be decided by the AMC in consultation with the Board of Directors of Trustee Company.<br>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.<br>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 IDCW in normal circumstances. Under the Income Distribution cum Capital Withdrawal Option (IDCW), it is proposed to distribute IDCWs 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 IDCW, as stated above. Subsequent to the declaration of IDCW, NAV of the Income Distribution cum Capital Withdrawal Option (IDCW) and Growth Option will be different.<br>**IDCW Distribution Procedure**<br>In accordance with Chapter 11 and para 13.2 of SEBI Master Circular on Mutual Funds dated June 27, 2024, the procedure for IDCW Distribution would be as under:<br>Quantum of IDCW and the record date will be fixed by the Board of Directors of Trustee Company in their meeting. IDCW so decided shall be paid, subject to availability of distributable surplus.<br>Within one calendar day of decision by the Board of Directors of Trustee Company, the AMC shall issue notice to the public communicating the decision about the IDCW 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.<br>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 IDCWs. As para 11.6.1.3 of SEBI Master Circular on Mutual Funds dated June 27, 2024, the record date shall be 2 working days from the date of public notice. |



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| | The notice will, in font size 10, bold, categorically state that pursuant to payment of IDCW, the NAV of the Option would fall to the extent of payout and statutory levy (if applicable).<br>The NAV will be adjusted to the extent of IDCW distribution and statutory levy, if any, at the close of business hours on record date.<br>Before the issue of such notice, no communication indicating the probable date of IDCW declaration in any manner whatsoever will be issued by Mutual Fund.<br>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.<br>The IDCW proceeds may be paid by way of IDCW warrants/direct credit / Electronic Funds Transfer (EFT) / 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 June 27, 2024 the AMC shall transfer the dividend proceeds within 7 working days from the record date.<br>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 of applicable taxes.<br>Further, AMC may use modes such as speed post, courier etc. for payments to unitholders in addition to the registered post with acknowledgement due.<br>Please refer to the Statement of Additional Information (SAI) and instructions under the Key Information Memorandum cum Application form of the scheme for further details. |
| **Allotment (Detailed procedure)** | **i. Allotment of Units in the scheme**<br>For allotment of units in the scheme, it shall be ensured that:<br>i. Application is received before the applicable cut-off time.<br>ii. Funds for the entire amount of subscription / purchase as per the application are credited to the bank account of the schemes before the cut-off time.<br>iii. The funds are available for utilization before the cut-off time without availing any credit facility whether intra-day or otherwise, by the schemes.<br>For allotment of units in respect of switch-in into the scheme, it shall be ensured that:<br>i. Application for switch-in is received before the applicable cut-off time.<br>ii. Funds for the entire amount of subscription / purchase as per the switch-in request are credited to the bank account of the respective switch-in schemes before the cut-off time.<br>iii. The funds are available for utilization before the cut-off time without availing any credit facility whether intra-day or otherwise, by the switch-in scheme.<br>The Mutual Fund shall calculate NAV for each business day in respect of the above scheme / plan(s).<br>Explanation: 'Business Day' does not include a day on which the money markets are closed or otherwise not accessible.<br>Further, it may be noted that:<br>1. 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.<br>2. 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.<br>**Applicable NAV for Sale of Units**<br>**Particulars** / **Applicable NAV**<br>where the application is received upto 3:00 p.m. on a day and funds are available for utilization before the cut-off time / closing NAV of the day on which the application is received<br>where the application is received after 3:00 p.m. on a day and funds are available for utilization on the same day / closing NAV of the next business day<br>The Mutual Fund shall calculate NAV for each calendar day in respect of the Scheme/Plan. |



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| | 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.<br>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.<br>**ii. Dispatch of account statements/unit certificates**<br>The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 working days of receipt of valid application/ transaction to the Unit holders registered e-mail address and / or mobile number.<br>A Consolidated Account Statement (CAS) detailing all the transactions across all mutual funds (including transaction charges paid to the distributor) and holding at the end of the month shall be sent to the Unit holders in whose folio(s) transaction(s) have taken place during the month. Investor those who have opted for delivery via electronic mode, e-CAS will be sent by the twelfth (12th) day from the month end and to investors who have opted for delivery via physical mode, physical CAS will be despatched by the fifteenth (15th) day from the month end. If there is any transaction in any of the demat accounts of the investor or in any of his mutual fund folios, then CAS will be sent to that investor through email on monthly basis. In case there is no transaction in any of the mutual fund and demat accounts then CAS with holding details will be sent to the investors by email on half yearly basis. In respect of half-yearly CAS, the AMCs/MF-RTAs shall provide the data with respect to the common PANs to the depositories on or before eighth(8th) day of April and October every year. The depositories shall then consolidate and dispatch the CAS to investors that have opted for delivery via electronic mode, on or before the eighteenth (18th) day of April and October and to investors that have opted for delivery via physical mode, on or before the twenty-first (21st) day of April and October. However, where an investor does not wish to receive CAS through email, option will be given to the investor to receive the CAS in physical form at the address registered with the Depositories and the AMCs/MF-RTAs.<br>The default mode for dispatch of Consolidated Account Statement will be email.<br>For further details, refer SAI. |
| **Refund** | Not applicable, as there is continuous offer of Units of the Scheme (s) at NAV based prices. |
| **Who can invest**<br>This is an indicative list and investors shall consult their financial advisor to ascertain whether the scheme is suitable to their risk profile. | 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.<br>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 authorized under their respective constitutions, charter documents, corporate/other authorisations and relevant statutory provisions etc):<br>• Adult individuals resident in India, either singly or jointly<br>• Minor through parent/lawful guardian<br>• 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)<br>• Religious and Charitable Trusts, Wakfs or endowments of private trusts (subject to receipt of necessary approvals as required) and Private Trust authorized to invest in mutual fund schemes under their trust deeds<br>• Partnership Firms<br>• Karta of Hindu Undivided Family (HUF)<br>• Banks (including Co-operative Banks and Regional Rural Banks) & Financial Institutions<br>• Non-resident Indians (NRIs)/Persons of Indian Origin on full repatriation basis (subject to RBI approval, if required) or on non-repatriation basis<br>• Foreign Portfolio Investors (FPIs) registered with SEBI on full repatriation basis (subject to RBI approval, if required)<br>• Army, Air Force, Navy and other para-military funds and eligible institutions |



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| | • Scientific and Industrial Research Organizations |
| | • Provident/Pension/Gratuity and such other Funds as and when permitted to invest<br>• International Multilateral Agencies approved by the Government of India/RBI<br>• Other schemes of HSBC Mutual Fund subject to the conditions and limits prescribed in SEBI Regulations<br>• The Board of Directors of Trustee Company, AMC or Sponsor or their associates (if eligible and permitted under prevailing laws), may subscribe to the Units under the Scheme.<br>• 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 by Foreign investors will be subject to operational feasibility in accepting the same and compliance with provisions under SEBI circular no. CIR/IMD/DF/14/2011 dated August 9, 2011.<br>• Sole Proprietorship<br>• A Mutual Fund through its schemes, including Fund of Funds schemes. |
| **Who cannot invest** | The following persons/entities cannot invest in any schemes of the Fund:<br>• United States Person as defined under US Law, means the laws of the US, its territories, possessions and all other areas subject to its jurisdiction. US Law shall additionally include all applicable rules and regulations, as supplemented and amended from time to time, as promulgated by any US regulatory authority, including, but not limited to, the Securities and Exchange Commission and the Commodity Futures Trading Commission.<br>• Persons residing in Canada;<br>• Persons residing in any Financial Action Task Force (FATF) declared non-compliant country or territory.<br>• 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.<br>a. Persons who are, subject to sanctions or residing in or have any of their addresses in countries which are subject to sanctions.<br>b. Persons who are in breach of the laws and regulations relating to KYC, money laundering, terrorist financing or any other Financial Crimes.<br>• Such other persons as may be specified by AMC from time to time.<br>**Note:**<br>a. 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.<br>b. Non-Resident Indian investors must provide their complete overseas address, including the Country of residence, in the application form, to avoid rejection of the application.<br>c. The Board of Directors of Trustee Company 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.<br>d. 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. |



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| | e. 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 affiliates 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.<br>f. 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. In case of investors transferred to HSBC Mutual Fund from the erstwhile L&T Mutual Fund, who are United States Person or Persons residing in Canada, the existing investments from such investors in the Scheme (i.e. the investments made prior to such transfer) shall be allowed to be continued, however 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."<br>***For the purpose of this clause:***<br>"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.<br>"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."<br>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.<br>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 Board of Directors of Trustee Company. The Board of Directors of Trustee Company may inter-alia reject any application for the purchase of Units if the application is invalid or incomplete or if the Board of Directors of Trustee Company 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. |
| **How to Apply and other details** | **1. Availability of Application Form**<br>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'.<br>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 Medium to Long Duration 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. |



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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 (https://invest.assetmanagement.hsbc.co.in).

**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.

**2. Link for the list of official points of acceptance, collecting banker details etc.**

The applications filled up and duly signed by the applicants may be submitted at the AMC Investor Service Centres(ISC)/CAMS Service Centre/Official Points of Acceptance.

Please check weblink (List of Official Point of Acceptance (OPA), Collection Bankers etc.) for an updated list of the Official Points of Acceptance, collecting banker of HSBC Mutual Fund. For details on CAMS Service Centres, please visit 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. Further, all the authorized Point of Service (POS) of MFUI shall be eligible to be considered as 'official points of acceptance' for all physical financi al and non-financial transactions in the schemes of HSBC Mutual Fund For further information kindly refer to the website of MFUI at www.mfuindia.com. Investors can also 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.

**3. Transactions through Facsimile or Electronic Mode**

The AMC, Mutual Fund, Registrar (collectively, the **"Recipient"**) may, at its sole discretion, accept certain transactions submitted via facsimile or through any electronic means, including but not limited to fax and email (referred as **"Electronic Transactions"**). Such acceptance shall be subject to the investor compliance with the terms and conditions prescribed by the AMC from time to time and shall be permitted only to the extent by the SEBI or AMFI or other regulatory authorities.

The acceptance of Electronic Transactions shall be entirely at the risk of the sender (**"Transmitter"**), and the Recipient shall not be liable for any loss or damage, whether direct or indirect, suffered by the Transmitter due to the submission or attempted submission of such transactions, including instances where a transaction is not processed due to non-receipt by the Recipient. The Transmitter acknowledges that Electronic Transactions are not a secure mode of communication and involve inherent risks, including inaccuracies, transmission failures, distortions, illegibility, delays, or unauthorized alterations. The Transmitter further acknowledges that any request to the Recipient to act upon an Electronic Transaction is made solely for the Transmitter's convenience, and the Recipient is not obligated to process such transactions. The Transmitter expressly authorizes the Recipient to accept and act upon any Electronic Transaction that the Recipient, in good faith, believes to have been submitted by the Transmitter, and such transactions shall be deemed as if executed under the Transmitter's original signature.

For Electronic Transactions submitted via email by non-individual Transmitter (**"Client"**), the Recipient shall obtain from the Client a certified copy of its board resolution or an authority letter on official letterhead, expressly authorizing designated officials or employees to execute Electronic Transactions on its behalf.



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The Transmitter acknowledges and agrees that the Recipient may implement security procedures to verify Electronic Transactions, which may include but are not limited to signature verification, telephone callbacks, or a combination thereof. The Transmitter consents to the recording of such callbacks and agrees to cooperate with the Recipient to verify transaction requests. A transaction shall be deemed valid only upon appropriate time-stamping in accordance with SEBI regulations and the applicable scheme terms.

In consideration of the Recipient accepting and acting upon Electronic Transactions at its sole discretion (including the right to modify, extend, or discontinue such facilities at any time), the Transmitter agrees to indemnify and hold harmless the AMC, its directors, employees, agents, representatives, the Mutual Fund, and the Trustees (collectively, the "Indemnified Parties") from and against any and all claims, demands, liabilities, losses, damages, costs (including but not limited to interest and legal fees), and expenses of any nature, whether actual or contingent, arising directly or indirectly in connection with the Indemnified Parties accepting and acting in good faith upon such Electronic Transactions. This indemnity shall apply even in cases where the transaction request was not genuinely submitted by the Transmitter but was reasonably believed by the Recipient to have been so submitted.

The AMC reserves the right to discontinue the acceptance of Electronic Transactions at any time without prior notice. Applications that are incomplete in any respect shall be liable for rejection.

**Terms and Condition for Transacting via Fax or Electronic Mail by Non-Individual Client(s)**

1. The Electronic Transactions submitted shall be accepted at the sole discretion of the Recipient and shall be subject to compliance with these terms, as modified from time to time.
2. The Client acknowledges that Electronic Transactions are not a secure mode of communication and may be subject to risks, including but not limited to:
   a. Transmission failures, inaccuracies, or errors;
   b. Illegibility, distortion, or lack of clarity;
   c. Unauthorized alterations, delays, or security breaches.
3. The Client further acknowledges that any request to the Recipient to process an Electronic Transaction is made solely for the Transmitter's convenience, and the Recipient shall not be obligated to act upon such requests.
4. The Client expressly authorizes the Recipient to accept and act upon any Electronic Transaction that the Recipient, in good faith, believes to have been submitted by the Transmitter. Such transactions shall be deemed as if they were submitted under the Client's original signature.
5. The Recipient may adopt security measures to verify Electronic Transactions, including but not limited to:
   a. Signature verification;
   b. Confirmation via email or telephone callback (which may be recorded);
   c. Any other method deemed necessary by the Recipient.
6. A transaction shall be considered valid only upon appropriate time-stamping in accordance with SEBI regulations and the applicable scheme terms.
7. Client submitting Electronic Transactions via email must provide the Recipient with a certified copy of a board resolution or an authority letter on official letterhead, expressly authorizing designated officials or employees to transact on the Client's behalf. Such board resolution or authority letter must explicitly include:
   a. A list of authorized officials, along with their designations and official email addresses, duly signed by official or an employee authorized vide board resolution.
   b. An undertaking that any financial transaction instructions sent via email by these authorized officials shall be binding on the Client as if executed under a duly signed written agreement.



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8. Additionally, the Recipient may accept a scanned copy of a duly signed transaction form or request letter bearing the wet signature of the Client's authorized signatories, provided that:
   a. The email is copied (CC'd) to the registered email ID of the Client's authorized official/signatory.
   b. The sender's email address originates from the Client's official domain.
9. In consideration of the Recipient accepting and acting upon Electronic Transactions at its sole discretion (including the right to modify, extend, or discontinue such facilities at any time), the Client agrees to indemnify and hold harmless the AMC, its directors, employees, agents, representatives, the Mutual Fund, and the Trustees (collectively, the "Indemnified Parties") from and against any and all claims, demands, liabilities, losses, damages, costs (including but not limited to interest and legal fees), and expenses of any nature, whether actual or contingent, arising directly or indirectly from:
   a. The Indemnified Parties accepting and acting in good faith upon such Electronic Transactions;
   b. Any unauthorized or fraudulent transaction purportedly received from the Client.
10. The Client acknowledges that the time of receipt of an Electronic Transaction by the Recipient shall be final for the applicability of the Net Asset Value (NAV).
11. The Recipient shall maintain records of Electronic Transactions in compliance with applicable laws.
12. The Client availing the facility for submitting financial transactions via email shall retain records of such transactions for at least eight (8) years from the date of the transaction, or as required under applicable regulations.
13. In the event of any change in the Client's authorized signatories, it shall be the Client's sole responsibility to notify the Recipient in a timely manner.
14. Any change in the Client's registered email ID or contact details shall be accepted only from designated officials authorized to notify such changes via a board resolution or authority letter. Such a change request must be submitted through a physical request letter or a scanned copy thereof bearing the wet signature of the designated authorized officials.
15. No change in or addition to the Client's bank mandate shall be permitted via email. Any change in bank details or the addition of a bank account must be submitted only through the prescribed service request form, duly signed by the Client's authorized signatories with their wet signatures.
16. The AMC reserves the right to modify, extend, or discontinue the acceptance of Electronic Transactions at any time without prior notice.
17. Applications that are incomplete in any respect shall be liable for rejection.

**4. Details of Registrar and Transfer Agent (R&T) alongwith OPT**

**Computer Age Management Services Limited (CAMS)**
HSBC Mutual Fund Unit, Rayala Tower-I, 158, Anna Salai, Chennai 600002.
AMC Call Center: 1800-200-2434/1800-258-2434
AMC Email ID: investor.line@mutualfunds.hsbc.co.in

For details on CAMS Service Centres, please visit www.camsonline.com. For the list of OPT and collecting banker, please click on the weblink provided under point # 2 above.

**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.



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| | **Third party Cheques**<br>i. 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) employer on behalf of employee as payroll deductions or deductions out of expense reimbursements for SIP/Lumpsum investments, ii) Custodian on behalf of FPI/client and iii) Payment by Asset Management Company (AMC) to a Distributor empaneled 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). iv) 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.)<br>ii. 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.<br>iii. 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 a cancelled cheque leaf/bank pass book copy 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.<br>iv. 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.<br>v. 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.<br>**Bank Account Numbers**<br>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 letters IIMARP/MF/CIR/07/826/98 dated April 15, 1998, and para 14.12 of SEBI Master Circular on Mutual Funds dated June 27, 2024, it is mandatory for applicants to mention their bank details in their applications for purchase or redemption of units.<br>It is important for applicants to mention their bank name, bank account number, branch address, and account type in their applications for subscription or repurchase of Units. Applications without this information shall be rejected.<br>Where the Bank Account details provided for the purpose of Redemption/IDCW payout is different from the Bank Account, which is used for Subscription, then a proof of such bank account should be enclosed along with the Subscription application.<br>Please refer Section II – Bank Mandate for more details.<br>Please refer to the Statement of Additional Information (SAI) and instructions under the Key Information Memorandum cum Application form of the scheme for further 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.** | Presently the AMC does not intend to reissue the repurchased units. The Board of Directors of Trustee Company reserves the right to reissue the repurchased units at a later date after issuing adequate public notices and taking approvals, if any, from SEBI. |



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| **Restrictions, if any, on the right to freely retain or dispose of units being offered.** | **i. Lien/Pledge of Mutual Fund units**<br>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 Plan(s) may be offered as security by way of a pledge/charge in favor of scheduled banks, financial institutions, non-banking finance companies (NBFCs), or any other body.<br>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 and can be downloaded from the AMC's website. 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.<br>The distributions in the nature of IDCWs 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.<br>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.<br>The AMC reserves the right to change the procedure for Lien marking/pledge of MF Units from time to time.<br>**Fractional Units**<br>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.<br>**ii. Suspension of Sale/Repurchase/Switch-in of Units**<br>The Mutual Fund at its sole discretion reserves the right to withdraw/suspend sale (via fresh/additional subscriptions/switch- ins/existing or fresh SIP/STP or such other special product) 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.<br>The sale or switch - in of the Units may be suspended under the following conditions:<br>• 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.<br>• In the event of breakdown in the means of communication use for the valuation of investments of the Scheme, without which the value of the securities of the scheme cannot be accurately calculated.<br>• 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.<br>• 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.<br>• In case of natural calamities, strikes, riots and bandhs.<br>• In the event of any force majeure or disaster that affects the normal functioning of the AMC, ISC or the Registrar.<br>• If so directed by SEBI."<br>Further, an order to purchase Units is not binding on and may be rejected by the Board of Directors of Trustee Company, the AMC or their respective agents, until it has been confirmed in writing by the AMC or its agents and payment has been received.<br>**iii) Suspension of Redemption of units**<br>The AMC may, subject to specific approval of the Boards of AMC and Trustee Company, 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:<br>a) Liquidity issues in the market at large. |



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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

**iv) Freezing/Seizure of Accounts**

Investors may note that under the following circumstances, the Board of Directors of Trustee Company/AMC may at its sole discretion (and without being responsible and/or liable in any manner whatsoever) freeze/seize/do such acts to a Unit holder's account as per instructions (or deal with the same in the manner the Board of Directors of Trustee Company/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.

**Cut off timing for subscriptions/redemptions/switches**

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

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:

| Subscription | Redemption | Switch In | Switch Out |
|---|---|---|---|
| 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 | closing NAV of the day on which the application is received |
| where the application is received after 3:00 p.m. on a day and funds are available for utilization on the same day | closing NAV of the next business day |

**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 calendar day in respect of the Scheme/Plan.

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.



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**Minimum amount for purchase/redemption/ switches**

**i. Minimum amount for purchase/switch-ins**

**For Lump sum Investments**

| Minimum Investment Amount | Additional Investment: |
|---|---|
| Rs. 5,000/- per application and in multiples of Re. 1/- thereafter. | Rs. 1,000/- and in multiples of Re. 1/- thereafter. |

**For SIP Investments**

| Frequency | Minimum Installment Amount# | Minimum number of Installments# | Dates |
|---|---|---|---|
| Weekly | Rs. 500/- | Minimum 6 instalments subject to aggregate of Rs. 6,000/- | Any Dates |
| Monthly | Rs. 1,000/- | Minimum 6 instalments subject to aggregate of Rs. 6,000/- | |
| Quarterly | Rs. 1,500/- | Minimum 4 instalments subject to aggregate of Rs. 6,000/- | |

# in multiples of Re. 1/- thereafter.

**ii. Minimum amount for redemption/switch-outs or minimum no. of Units to be redeemed**

Rs. 500/- and in multiples of Re. 1/- thereafter or 50 units and in multiples of 0.01 unit thereafter.

Clause 6.10 of SEBI Master circular for Mutual Funds dated June 27, 2024 (Alignment of interest of Designated Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes) has, inter alia mandated that a minimum of 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. The said guidelines came into effect from the October 1, 2021. In accordance with the regulatory requirement, the 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.

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 from time to time.

**Accounts Statements**

The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 working days of receipt of valid application/ transaction to the Unit holders registered e-mail address and / or mobile number.

A Consolidated Account Statement (CAS) detailing all the transactions across all mutual funds (including transaction charges paid to the distributor) and holding at the end of the month shall be sent to the Unit holders in whose folio(s) transaction(s) have taken place during the month. Investor those who have opted for delivery via electronic mode, e-CAS will be sent by the twelfth (12th) day from the month end and to investors who have opted for delivery via physical mode, physical CAS will be despatched by the fifteenth (15th) day from the month end. If there is any transaction in any of the demat accounts of the investor or in any of his mutual fund folios, then CAS will be sent to that investor through email on monthly basis. In case there is no transaction in any of the mutual fund and demat accounts then CAS with holding details will be sent to the investors by email on half yearly basis. In respect of half-yearly CAS, the AMCs/MF-RTAs shall provide the data with respect to the common PANs to the depositories on or before eighth(8th) day of April and October every year. The depositories shall then consolidate and dispatch the CAS to investors that have opted for delivery via electronic mode, on or before the eighteenth (18th) day of April and October and to investors that have opted for delivery via physical mode, on or before the twenty-first (21st) day of April and October. However, where an investor does not wish to receive CAS through email, option will be given to the investor to receive the CAS in physical form at the address registered with the Depositories and the AMCs/MF-RTAs.

The default mode for dispatch of Consolidated Account Statement will be email.

For further details, refer SAI.



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| **Dividend / IDCW** | The payment of dividend/IDCW to the unitholders shall be made within 7 working days from the record date. |
| **Redemption** | As per para 14.2 of SEBI Master Circular on Mutual Funds dated June 27, 2024, the Fund shall dispatch/transfer the redemption / repurchase proceeds within 3 working Days, from the date of acceptance of redemption or repurchase request at any of the Investor Service Centres/Official Point of Transaction Acceptance<br>The Fund may close Unitholder's account if the balance in the folio falls below the minimum redemption amount as mentioned above for the scheme. In such a case, entire Units available in the Unitholder's account will mandatorily be redeemed at an Applicable NAV with the applicable load, if any.<br>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 timelines for making redemption payments.<br>For list of exceptional circumstances refer para 14.1.3 of SEBI Master Circular for Mutual Funds dated June 27, 2024<br>**For NRIs / FPIs**<br>The Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (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.<br>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<br>**Redemption by NRIs / FPIs**<br>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. |
| **Bank Mandate** | **i) Bank Account Numbers**<br>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 letters IIMARP/ MF / CIR/07/826/98 dated April 15, 1998, and para 14.12 of SEBI Master Circular on Mutual Funds dated June 27, 2024, it is mandatory for applicants to mention their bank details in their applications for purchase or redemption of units.<br>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.<br>Where the Bank Account details provided for the purpose of Redemption/IDCW payout is different from the Bank Account which is used for Subscription, then a proof of such bank account should be enclosed along with the Subscription application.<br>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. |



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| | **ii) Change of Bank mandate**<br>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 accepted 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:<br>Any one of the following documents to be provided for Existing (Old) as well as New Bank account:<br>• Cancelled original cheque leaf with first Unit Holder name and bank account number printed on the face of the cheque. OR<br>• Copy of Bank Passbook having the name, address and account number of the account holder OR.<br>• Bank Statement (issued within 3 months for new bank, in case of old bank account the date of statement will not be applicable)<br>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.<br>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.<br>For more details, refer to the Application Form.<br>**iii) Multiple Bank accounts**<br>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. 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. |
| **Delay in payment of redemption/repurchase proceeds/dividend** | **Delay in payment of redemption/repurchase proceeds**<br>In the event of failure to dispatch/credit the redemption proceeds within 3 working days from the date of acceptance of redemption request, 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).<br>**Delay in payment of IDCW proceeds**<br>As per para 11.4 of SEBI Master Circular on Mutual Funds dated June 27, 2024, the AMC shall dispatch/credit payment of the IDCW proceeds within 7 working days from the record date. However, in the event of failure to dispatch/credit the IDCW 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. |
| **Unclaimed Redemption and Income Distribution cum Capital Withdrawal Amount** | In accordance with clause 14.3 of SEBI Master Circular dated, June 27, 2024, the unclaimed Redemption amount and IDCW amount shall be invested in the separate plan of HSBC Overnight Fund.<br>Unitholders shall note that in accordance with aforesaid clause of SEBI Master circular, 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. |


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| | Investors who claim these unclaimed IDCW and redemption amounts during a period of 3 years from the due date shall be paid initial unclaimed amount along with the income earned on its deployment.<br>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 www.assetmanagement.hsbc.co.in.<br>For further details refer to SAI. |
| **Disclosure w.r.t investment by minors** | **Process for Investments made in the name of a Minor through a Guardian**<br>• 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 else the transaction is liable to get rejected.<br>• 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.<br>• 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.<br>• The above mentioned provisions are prescribed by para 17.6 of SEBI Master Circular on Mutual Funds dated June 27, 2024 read with SEBI circular dated May 12, 2023.<br>• 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.<br>• 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.<br>• 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.<br>• 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 Board of Directors of Trustee Company. The Board of Directors of Trustee Company may inter-alia reject any application for the purchase of Units if the application is invalid or incomplete or if the Board of Directors of Trustee Company 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. |


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| **Any other disclosure in terms of Consolidated Checklist on Standard Observations** | **i. Risk-o-meter**<br>Based on the scheme characteristics, the Mutual Fund/AMC shall assign risk level for scheme. Any change in risk-o-meter shall be communicated by way of notice and by way of an e-mail or SMS to unitholders of the Scheme. Risk-o-meter shall be evaluated on a monthly basis and Mutual Funds/AMCs shall disclose the Risk-o-meter 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 Risk-o-meter 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 regard from time to time.<br>**ii. Scheme Summary Document**<br>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.<br>**iii. Creation of segregated portfolio**<br>In order to ensure fair treatment to all clause 4.4 of Master Circular, as amended from time to time has allowed creation of segregated portfolio of debt and money market instruments by mutual fund schemes.<br>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). It is aimed at ring fencing a bad asset and restrict cascading effect of illiquidity on the rest of portfolio. This will ensure fair treatment to all investors in case of a Credit Event and allow HSBC AMC to deal with liquidity risk. Creation of segregated portfolio shall be optional and at the sole discretion of the AMC.<br>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 NAV of the Segregated Portfolio shall be declared on daily basis.<br>For more details, refer SAI. |
| **Other Disclosures** | **i. Requirement of minimum investors in the schemes/plans of mutual funds**<br>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 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.<br>**ii. Compliance under FATCA** |



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| | 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 ("NPFFI") 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 NPFFI, Fund may be required to provide information about payment to NPFFI to upstream payor to enable them to make the appropriate FATCA withholding on NPFFIs. 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).<br><br>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. |
| | **iii. Common Reporting Standards**<br><br>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.<br><br>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. |



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| | **iv. Compliance with Volcker Rule**<br>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. |
| **Special Considerations (Please refer Statement of Additional Information (SAI) for more details)** | 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 permitted to undertake activities in the nature of management and advisory services to pooled assets including off shore 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 provides or may provide non-binding advisory services to offshore funds, 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 and letter dated March 20, 2024, accorded it's no objection to the AMC for providing such non-binding investment advisory services to 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.<br>Further, SEBI vide letter dated May 3, 2024, has accorded it's no objection to the AMC to undertake Alternate Investment Funds activity under the SEBI (Alternate Investment Funds) Regulations, 2012. The AMC before the launch of Alternate Investment Funds activity shall ensure that it 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 Alternate Investment Funds and there exist systems to prohibit access to insider information. |


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# III. OTHER DETAILS

## A. PERIODIC DISCLOSURES

### i. Half Yearly Portfolio Disclosures

The AMC shall disclose portfolio of the Scheme (along with ISIN and yield of the instruments) as on the last day of every half year, 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.

Kindly refer (weblink - Half Yearly Portfolio) for half yearly portfolio disclosures.

### ii. 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.

Kindly refer (weblink - Half yearly Results) for half yearly Financial Results.

### iii. 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:

(i) By hosting the same on the websites of the AMC and AMFI;

(ii) 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.

Kindly refer (weblink - Scheme Annual Report) for Annual report.

## B. TRANSPARENCY/NAV DISCLOSURE (DETAILS WITH REFERENCE TO INFORMATION GIVEN IN SECTION I)

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. 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.

The AMC shall update the NAVs on the website of Association of Mutual Funds in India - AMFI (www.amfiindia.com) and the Fund's website (www.assetmanagement.hsbc.co.in) by 11.00 p.m. of every Business Day. However, the AMC will endeavour to update the NAVs on the above websites daily by 11:00 p.m. of 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.

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.

## C. TRANSACTION CHARGES AND STAMP DUTY

### a. Transaction charges

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 installment x No. of installments) amounts to Rs. 10,000/- or more. The transaction charge shall be deducted in 4 equal installments, starting from the 2nd installment to the 5th installment.

**(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 in demat mode.

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.

### b. Stamp duty

With effect from July 1, 2020, investments in the mutual fund units would be subject to levy of stamp duty @ 0.005% of the amount invested. Further, stamp duty at the rate of 0.015% shall be applicable on the consideration amount stated in the transfer instrument for off market transfer of units held in demat mode as well as units held in physical mode. The rate and levy of stamp duty may vary as amended from time to time.

For more details on transaction charges and stamp duty, please refer to SAI.

## D. ASSOCIATE TRANSACTIONS

For details of Associate transactions including dealing with associate companies, Investors are advised to please refer Statement of Additional Information (SAI).

## E. TAXATION

For details on taxation please refer to the clause on Taxation in the SAI apart from the following:

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 / authorized dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the Schemes.

| **Specified Mutual Fund** | | |
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| **Particulars** | **Investors** | **Mutual Fund** |
| **Tax on income distribution** | Income distributed would be taxable in the hands of unitholders as per applicable slabs** | **Resident investor:** 10%** tax needs to be deducted on income distributed (not applicable to capital gain)<br>**Non-Resident investor:** 20%** tax needs to be deducted in case of payment to NRI and Non Domestic company / Foreign Company |

| Specified Mutual Fund | | |
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| **Particulars** | **Investors** | **Mutual Fund** |
| **Short Term** | Income tax rate applicable to the Unit holders as per their income slabs** | **Resident Investor:** Nil<br>**Non-Resident Investor:** 30%**^@ tax needs to be deducted in case of payment to NRI and 40%**@ in case of Non-Domestic company/Foreign company. (35% w.e.f. 23 Jul 2024) |
| **Long Term** | Not Applicable | Not Applicable |

Specified mutual fund is defined as one whose investments in equity shares of domestic companies is not more than 35 per cent of its total proceeds.

With effect from 1 April 2025, the definition of 'Specified Mutual Fund' has been amended. As per the amended definition, a specified mutual fund is a fund which invests more than sixty-five per cent of its total proceeds in debt and money market instruments. Further, in case of fund of fund, a fund of fund which invests sixty-five per cent or more of its total proceeds in units of a first mentioned fund.

** the above rates need to be increased by applicable surcharge and health and 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.

^ Maximum 30 percent as per slab

### 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.

## F. RIGHTS OF UNITHOLDERS -

Please refer to SAI for details.

## G. LIST OF OFFICIAL POINTS OF ACCEPTANCE:

Please check weblink (List of Official Point of Acceptance (OPA), Collection Bankers etc.) for an updated list of the Official Points of Acceptance of HSBC Mutual Fund. For details on CAMS Service Centres, please visit www.camsonline.com.

## H. 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, monetary penalties exceeding INR 5 Lakhs during the last five years shall be disclosed.***

   The Sponsor of the Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited (HSCI), 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 monetary penalties exceeding INR 5 Lakhs imposed and / or action taken during the last five 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 five years shall also be disclosed.***

   SEBI had 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 settled the matter with SEBI under SEBI (Settlement Proceedings) Regulations, 2018, and SEBI vide its settlement order dated May 27, 2024 has disposed of the adjudication proceedings initiated vide Show Cause Notice dated August 04, 2023.

3. ***Details of all enforcement actions taken by SEBI in the last five 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 exceeding INR 5 Lakhs / 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.***

   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. SEBI on July 25, 2024 issued an adjudication order imposing penalty of INR 5 Lakhs on the AMC under section 15HB of the SEBI Act, 1992. The penalty was paid by the AMC on August 1, 2024.

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.

   - 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 25th November 2022 and L&T AMC was subsequently merged into the AMC. On 02nd August 2024, Directorate General of Goods & Services Tax Intelligence has issued a Show Cause Notice (SCN) to the AMC in a matter related to claiming of Input Tax Credit on distributor commission pertaining to mutual fund schemes by L&T AMC for the period July 2017 to Oct. 2018. GST Authorities have issued an order in this matter on 21st January 2025 upholding the contentions raised in the SCN. The AMC is in the process of filing an appeal against this order.

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.

Please refer to the weblink (Penalties and related disclosures) for updated details of pending litigations.

**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.

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## OFFICIAL POINTS OF ACCEPTANCE OF TRANSACTION REQUESTS

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

### 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**

| Description | Investor related queries | Distributor related queries | Online related queries | Investor (Dialing from abroad) |
|---|---|---|---|---|
| Toll Free Number | 1800-4190-200/1800-200-2434 | 1800-419-9800 | 1800-4190-200/1800-200-2434 | +91 44 39923900 |
| Email ID | investor.line@mutualfunds.hsbc.co.in | partner.line@mutualfunds.hsbc.co.in | onlinemf@mutualfunds.hsbc.co.in | investor.line@mutualfunds.hsbc.co.in |

**To get your updated account statement email us at : "mfsoa@mutualfunds.hsbc.co.in"**

**We're always here to help you, so feel free to reach out to us**

**Self-service request at your Fingertips**

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Remember, you can also find out more via our social media handles !

**Please check our website 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**

HSBC Mutual Fund

**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

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VSTS Corporation May '25

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