

HSBC MUTUAL FUND

Notice Cum Addendum to the Scheme Information Document ("SID") and Key Information Memorandum ("KIM") of HSBC Managed Solutions Fund

Categorization of HSBC Managed Solutions Fund

NOTICE is hereby given that pursuant to the SEBI letter no. SEBI/HO/IMD/IMD-RAC-1/P/OW/2025/4102/1 dated February 6, 2025 on "Framework for launching of Fund of Fund (FoF) schemes with multiple underlying funds" (hereinafter referred to as "Framework"), it has been decided to change the scheme attributes of HSBC Managed Solutions Fund ("the Scheme") to align/recategorize the scheme as per the Framework, as mentioned below with effect from March 13, 2025:

Particulars	Existing Scheme Features			Revised Scheme Features																																						
Name	HSBC Managed Solutions - Growth Plan			HSBC Aggressive Hybrid Active FOF																																						
Category/ Sub-category	Other Schemes – FOFs (Overseas/Domestic)			Category - Hybrid FoF Sub-category - Aggressive Hybrid FoF																																						
Type	An open-ended Fund of Fund scheme investing in a basket of equity, debt, Gold and other Exchange Traded Funds) The, exposure in Derivatives will be for efficient portfolio			An open-ended Aggressive Hybrid Active Fund of Fund scheme																																						
Investment objective	The objective of the Plan is to provide long term total return primarily by seeking capital appreciation through an active asset allocation with diversification commensurate with the risk profile of investments by investing in a basket of debt, equity, gold exchange traded funds (ETFs) and other ETFs, units of offshore mutual funds and money market instruments.			The investment objective is to provide long term total return primarily by seeking capital appreciation through an active asset allocation by investing in a basket of equity and debt mutual fund schemes and money market instruments.																																						
Benchmark (Total Return Index) (As per AMFI Tier 1 benchmark)	Composite Index constituting 80% of BSE 200 TRI Index and 20% of CRISIL Composite Bond Index			CRISIL Hybrid 35+65-Aggressive Index - TRI																																						
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What are the investment strategies?	Investment Approach and Risk Control The Plans under the Scheme will invest predominantly in the existing and / or prospective schemes of HSBC Mutual Fund, units of third party domestic mutual funds, units of offshore equity oriented funds managed by HSBC Global Asset Management, gold ETFs and other ETFs of third parties until such time that the Fund doesn’t have such scheme offerings. The Plans may also invest certain proportion of its corpus in money market instruments in order to meet liquidity requirements from time to time For asset classes where HSBC Mutual Fund has scheme offerings, the Plans under the Scheme would invest only in such schemes. Investments into units of third party domestic mutual funds shall be made in the following circumstances: • Non-availability of a scheme managed by HSBC in certain categories (i.e. currently gold ETFs and other ETFs); or • If the investment by the Plan under the Scheme exceeds 20% of the net assets of the Underlying scheme(s). In such a scenario, the third party domestic mutual fund will be similar to the Underlying schemes of HSBC Mutual Fund in terms of its objective, asset allocation pattern and risk profile. While investing in such third party domestic mutual fund schemes or prospective schemes of HSBC Mutual Fund, it shall be ensured that the investment objective, asset allocation pattern and risk profile of such schemes are in line with the respective Plans under the Scheme. All new inflows will be invested as per the asset allocation pattern indicated in this SID. The asset allocation pattern is proposed to be rebalanced on a monthly basis at the minimum to bring the allocation in line with the suggested pattern, if so required. It is the intention of the Fund Manager to stay fully invested in the underlying mutual fund schemes. The Scheme may invest in such open ended schemes offered by the Mutual Fund from time to time subject to the above asset allocation of the Plans under the Scheme. However, the Fund Manager reserves the right to maintain adequate cash balance to meet the requirements of redemptions.	The Scheme will invest predominantly in the existing and / or prospective schemes of HSBC Mutual Fund or units of third party domestic mutual funds. The scheme may also invest certain proportion of its corpus in money market instruments in order to meet liquidity requirements from time to time.																									



	The asset allocation of the Underlying schemes that the fund intends to invest into will be maintained as per the Scheme Information Document of the respective schemes. It shall always be ensured that the actual allocation of all the Funds is within the asset allocation range as disclosed in the asset allocation pattern above. The investment by each Plan under the Scheme into the Underlying scheme(s) will not exceed 20% of the net assets of the Underlying scheme(s). The Concept of Asset Allocation Asset allocation strategy is based on the concept of risk diversification. Investments in financial instruments are recommended based on the risk appetite of the investor. Through asset allocation, investors can decide on the best mix of debt, equity, gold ETFs and other ETFs, offshore mutual fund units and money market instruments, which is commensurate with their risk profile. The advantages of asset allocation strategy include: • Diversification across asset classes and across schemes within an asset class. • Fulfillment based on risk profiles. • Ability to maintain the asset allocation by continuous rebalancing. • Asset allocation reacts differently to the market conditions, a loss in one asset class could be made up by the gain in the other.	
Where will the scheme invest?	The corpus of each Plan under the Scheme will be predominantly invested in - • Existing or prospective schemes of HSBC Mutual Funds / third party domestic mutual funds that invests in equity and equity related instruments, debt, money market instruments etc. depending upon the asset allocation pattern, investment objective and risk profile of the respective Plans. • Units of offshore mutual funds • Units of Gold Exchange Traded Funds and other Exchange Traded Funds • Money market instruments including overnight instruments such as Collateralized Borrowing and Lending Obligations, Repurchase and reverse repurchase obligations in government securities and treasury bills. • Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure. • Pending deployment of funds of a Scheme in terms of investment objectives of the scheme, a mutual fund may invest them in short- term deposits of scheduled commercial banks, subject to such Guidelines as may be specified by the Board. The requirements of para 12.16 of SEBI Master Circular on Mutual Funds dated June 27, 2024 will be adhered to.	The corpus of the Scheme will be predominantly invested in - • Existing or prospective schemes of HSBC Mutual Funds / third party domestic mutual funds that invests in equity and equity related instruments, debt, money market instruments etc. depending upon the asset allocation pattern. • Money market instruments including overnight instruments such as Collateralized Borrowing and Lending Obligations, Repurchase and reverse repurchase obligations in government securities and treasury bills. • Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure. • Pending deployment of funds of a Scheme in terms of investment objectives of the scheme, a mutual fund may invest them in short- term deposits of scheduled commercial banks, subject to such Guidelines as may be specified by the Board. The requirements of para 12.16 of SEBI Master Circular on Mutual Funds dated June 27, 2024 will be adhered to.
Annual scheme recurring expenses	Upto 2%	Upto 2.25%
Fund Manager	Gautam Bhupal, Cheenu Gupta and Sonal Gupta	Gautam Bhupal
Product Labelling	• To create wealth over long-term • Investing predominantly in units of equity mutual funds as well as in a basket of debt mutual funds, gold & exchange traded funds, offshore mutual funds and money market instruments	• To create wealth over long-term • Investing predominantly in schemes of equity and debt mutual funds
Riskometer - Scheme	 The risk of the scheme is Very High Risk	 The risk of the scheme is Very High Risk

Riskometer - Benchmark	Composite index constituting 80% of BSE 200 TRI Index  20% of CRISIL Composite Bond Index 	CRISIL Hybrid 35+65 - Aggressive Index 
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2. HSBC Managed Solutions Moderate Plan

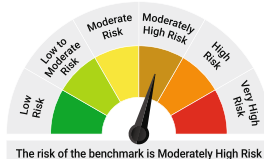
Particulars	Existing Scheme Features	Revised Scheme Features																																							
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Type	An open-ended Fund of Fund scheme investing in a basket of equity, debt, Gold and other Exchange Traded Funds)	An open-ended multi asset Fund of Fund scheme investing in equity, debt, commodity-based schemes (including Gold and Silver ETFs)																																							
Investment objective	The objective of the Plan is to provide long term total return primarily by seeking capital appreciation through an active asset allocation with diversification commensurate with the risk profile of investments by investing in a basket of debt, equity, gold exchange traded funds (ETFs) and other ETFs, units of offshore mutual funds and money market instruments.	The aim of the fund is to generate long-term capital growth and generate income by investing in Equity, Debt & commodity-based schemes (including Gold /Silver ETFs) and money market instruments.																																							
Benchmark (Total Return Index) (As per AMFI Tier 1 benchmark)	CRISIL Hybrid 35+65-Aggressive Index	BSE 200 TRI (65%) + NIFTY Short Duration Debt Index (20%) + Domestic Price of Gold (10%) + Domestic Price of Silver (5%)																																							
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What are the investment strategies?



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Annual scheme recurring expenses	Upto 2%	Upto 2.25%
Fund Managers	Gautam Bhupal, Cheenu Gupta and Sonal Gupta	Gautam Bhupal
Product Labelling	• To create wealth and provide income over the long -term; • Investments in a basket of debt mutual funds, equity mutual funds, gold & exchange traded funds, offshore mutual funds and money market instruments	• To create wealth and provide income over the long - term; • Investments in a basket of debt mutual funds, equity mutual funds, gold, silver and exchange traded funds and money market instruments
Riskometer - Scheme	 The risk of the scheme is High Risk	 The risk of the benchmark is Very High Risk

Riskometer - Benchmark	CRISIL Hybrid 35+65 - Aggressive Index  The risk of the scheme is Very High Risk	BSE 200 TRI  The risk of the benchmark is Very High Risk Domestic Price of Gold  The risk of the benchmark is Moderately High Risk NIFTY Short Duration Debt Index  The risk of the benchmark is Low to Moderate Risk Domestic Price of Silver  The risk of the benchmark is Very High Risk
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3. HSBC Managed Solutions - Conservative Plan

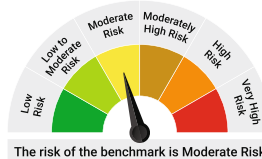
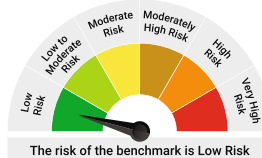
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Name	HSBC Managed Solutions - Conservative Plan	HSBC Income Plus Arbitrage Active FOF																																				
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What are the investment strategies?	Investment Approach and Risk Control The Plans under the Scheme will invest predominantly in the existing and / or prospective schemes of HSBC Mutual Fund, units of third party domestic mutual funds, units of offshore equity oriented funds managed by HSBC Global Asset Management, gold ETFs and other ETFs of third parties until such time that the Fund doesn’t have such scheme offerings. The Plans may also invest certain proportion of its corpus in money market instruments in order to meet liquidity requirements from time to time. For asset classes where HSBC Mutual Fund has scheme offerings, the Plans under the Scheme would invest only in such schemes. Investments into units of third party domestic mutual funds shall be made in the following circumstances: • Non-availability of a scheme managed by HSBC in certain categories (i.e. currently gold ETFs and other ETFs); or • If the investment by the Plan under the Scheme exceeds 20% of the net assets of the Underlying scheme(s). In such a scenario, the third party domestic mutual fund will be similar to the Underlying schemes of HSBC Mutual Fund in terms of its objective, asset allocation pattern and risk profile. While investing in such third party domestic mutual fund schemes or prospective schemes of HSBC Mutual Fund, it shall be ensured that the investment objective, asset allocation pattern and risk profile of such schemes are in line with the respective Plans under the Scheme. All new inflows will be invested as per the asset allocation pattern indicated in this SID. The asset allocation pattern is proposed to be rebalanced on a monthly basis at the minimum to bring the allocation in line with the suggested pattern, if so required. It is the intention of the Fund Manager to stay fully invested in the underlying mutual fund schemes. The Scheme may invest in such open ended schemes offered by the Mutual Fund from time to time subject to the above asset allocation of the Plans under the Scheme. However, the Fund Manager reserves the right to maintain adequate cash balance to meet the requirements of redemptions.	The Scheme will invest predominantly in the existing and / or prospective debt and arbitrage schemes of HSBC Mutual Fund or units of third party domestic mutual funds. The scheme may also invest certain proportion of its corpus in money market instruments in order to meet liquidity requirements from time to time.																																								



	The asset allocation of the Underlying schemes that the fund intends to invest into will be maintained as per the Scheme Information Document of the respective schemes. It shall always be ensured that the actual allocation of all the Funds is within the asset allocation range as disclosed in the asset allocation pattern above. The investment by each Plan under the Scheme into the Underlying scheme(s) will not exceed 20% of the net assets of the Underlying scheme(s). The Concept of Asset Allocation Asset allocation strategy is based on the concept of risk diversification. Investments in financial instruments are recommended based on the risk appetite of the investor. Through asset allocation, investors can decide on the best mix of debt, equity, gold ETFs and other ETFs, offshore mutual fund units and money market instruments, which is commensurate with their risk profile. The advantages of asset allocation strategy include: • Diversification across asset classes and across schemes within an asset class. • Fulfillment based on risk profiles. • Ability to maintain the asset allocation by continuous rebalancing. • Asset allocation reacts differently to the market conditions, a loss in one asset class could be made up by the gain in the other.	
Where will the scheme invest?	The corpus of each Plan under the Scheme will be predominantly invested in - • Existing or prospective schemes of HSBC Mutual Funds / third party domestic mutual funds that invests in equity and equity related instruments, debt, money market instruments etc. depending upon the asset allocation pattern, investment objective and risk profile of the respective Plans. • Units of offshore mutual funds • Units of Gold Exchange Traded Funds and other Exchange Traded Funds • Money market instruments including overnight instruments such as Collateralized Borrowing and Lending Obligations, Repurchase and reverse repurchase obligations in government securities and treasury bills. • Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure. • Pending deployment of funds of a Scheme in terms of investment objectives of the scheme, a mutual fund may invest them in short- term deposits of scheduled commercial banks, subject to such Guidelines as may be specified by the Board. The requirements of para 12.16 of SEBI Master Circular on Mutual Funds dated June 27, 2024 will be adhered to.	The corpus of the Scheme will be predominantly invested in - • Existing or prospective schemes of HSBC Mutual Funds / third party domestic mutual funds that invests in debt, money market instruments etc. depending upon the asset allocation pattern. • Money market instruments including overnight instruments such as Collateralized Borrowing and Lending Obligations, Repurchase and reverse repurchase obligations in government securities and treasury bills. • Units of Arbitrage Fund • Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure. • Pending deployment of funds of a Scheme in terms of investment objectives of the scheme, a mutual fund may invest them in short- term deposits of scheduled commercial banks, subject to such Guidelines as may be specified by the Board. The requirements of para 12.16 of SEBI Master Circular on Mutual Funds dated June 27, 2024 will be adhered to.
Annual scheme recurring expenses	Upto 2%	Upto 2%
Fund Managers	Gautam Bhupal, Cheenu Gupta and Sonal Gupta	Mohd Asif Rizwi & Mahesh Chhabria
Product Labelling	• To provide income over the long-term; • Investing predominantly in units of debt mutual funds as well as in a basket of equity mutual funds, gold & other exchange traded funds and money market instruments	• To provide income over the long-term; • Investing predominantly in schemes of debt mutual funds, Arbitrage Funds and money market instruments
Riskometer - Fund	 The risk of the scheme is Moderately High Risk	 The risk of the scheme is Low to Moderate Risk

Riskometer - Benchmark	Composite index constituting 90% CRISIL Composite Bond Index  The risk of the benchmark is Moderate Risk 10% BSE 200 TRI Index  The risk of the benchmark is Very High Risk	Composite index constituting 65% NIFTY Short Duration Debt Index  The risk of the benchmark is Moderate Risk 10% BSE 200 TRI Index  The risk of the benchmark is Low Risk
Exit load	i. In respect of each purchase / switch-in of Units, an Exit Load of 1% is payable if Units are redeemed / switched out within 1 year from the date of allotment. ii. No Exit Load will be charged, if Units are redeemed / switched-out after 1 year from the date of allotment. • A switch-out or a withdrawal under SWP or transfer under STP may also attract an Exit Load like any Redemption. • No Exit load will be chargeable in case of switches made between different options of the Scheme. • No Exit load will be chargeable in case of Units allotted on account of IDCW reinvestments, if any. • Exit load is not applicable for Segregated Portfolio.	Nil

Following risk factors shall be common across all three schemes, unless otherwise stated:

Particulars	Existing Scheme Features	Revised Scheme Features
Risk Factors	Scheme Specific Risk Factors Risk factors associated with the Scheme • Investments in the Underlying scheme will have all the risks associated with investments in equity and the offshore markets. • The portfolio disclosure of the Scheme will be largely limited to the investments made by the Scheme. • The investor will be exposed to the risk of the global markets and currency risk arising out of the investment in the Underlying scheme in securities which are denominated in foreign currencies (eg US Dollars). The investor will also be prone to delays in redemption if the global market is closed. • This being a fund of funds Scheme, the investors should note that the expenses to be borne by the investor include the recurring expenses of the Underlying scheme in which Fund of Funds Scheme makes investments subject to the maximum limits prescribed under sub-regulation 6 & 6A of Regulation 52 of the SEBI Regulations. • If the Underlying scheme declares a non-business day, the AMC will also declare it a non-business day. If this information is received later in the day and the local feeder fund has already accepted transaction, such transactions will be processed at the NAV of the next business day. This may impact liquidity of investors of local scheme. Liquidity risk of underlying instruments: • There could be liquidity risk on account of illiquid underlying holdings. • To maintain liquidity at the feeder fund level, the AMC will invest upto 5% in Money Market instruments (including TREPS & reverse repo in government securities) and units of domestic mutual funds to provide from a liquidity	Scheme Specific Risk Factors Risk factors associated with the Scheme Investments in the Underlying scheme will have all the risks associated with investments in equity and Debt markets. The portfolio disclosure of the Scheme will be largely limited to the investments made by the Scheme. This being a fund of funds Scheme, the investors should note that the expenses to be borne by the investor include the recurring expenses of the Underlying scheme in which Fund of Funds Scheme makes investments subject to the maximum limits prescribed under sub-regulation 6 & 6A of Regulation 52 of the SEBI Regulations. If the Underlying scheme declares a non-business day, the AMC will also declare it a non-business day for this Scheme. If this information is received later in the day and the local feeder fund has already accepted transaction, such transactions will be processed at the NAV of the next business day. This may impact liquidity of investors of local scheme. Liquidity risk of underlying instruments There could be liquidity risk on account of illiquidity issues in underlying funds for example, underlying fund creating a segregated portfolio due to default in its exposures. To maintain liquidity at the feeder fund level, the AMC will invest upto 5% in Money Market instruments (including TREPS & reverse repo in government securities) and units of domestic mutual funds to provide from a liquidity perspective. Restructuring / Rescheduling Risk: There could be cases of restructuring / re-scheduling of particular debt / money market instruments held in the portfolio which could result in the maturity of these instruments going beyond the original maturity date of the instrument. In such cases the fund

perspective.

- **Restructuring / Rescheduling Risk:** There could be cases of restructuring / re-scheduling of particular debt / money market instruments held in the portfolio which could result in the maturity of these instruments going beyond the original maturity date of the instrument. In such cases the fund manager may be constrained to sell these instruments in the market at realizable value and pass on the loss / impact to investors under the Scheme.
- **Operational Risk** - Given that the FOF structure will involve splitting each subscription and redemption at FOF level into multiple subscription and redemptions into the respective funds; there is enhanced operational risk.
- The Plans under the Scheme will invest in a combination of equity funds, debt fund, gold ETFs and other ETFs, offshore mutual fund schemes and money market instruments hence, the performance of the Plans would depend upon the performance of Underlying schemes.
- The investor will be exposed to the risk of the global markets and currency risk arising out of the investment in the Underlying scheme which invests in securities denominated in foreign currencies (eg US Dollars). The investor will also be exposed to delays in redemption if the global market is closed.
- Investments in Underlying Debt schemes will have all the risks associated with the debt markets including interest rate risk, duration risk, credit risk and reinvestment risk. 22

Risk associated with investing in foreign securities, derivatives, unrated, securitized debt, short selling and securities lending –

The Scheme will not have any exposure to derivative instruments, securitized debt or unrated instruments and shall not undertake any short selling or securities lending. However, the Underlying schemes may take exposure to the above mentioned securities. The offshore Underlying schemes of HSBC shall not take any exposure to unrated securities, their investments in derivatives shall be for the purposes of hedging and portfolio rebalancing only and investments in unlisted securities shall be limited to 10% of its net assets. The domestic Underlying schemes of HSBC and other than HSBC shall take exposure to the above mentioned securities as per the limits provided (if any) in the Scheme Information Document of the respective Underlying schemes and applicable SEBI Regulations from time to time. For risk associated with the same refer risk factors provided below for Underlying scheme.

Risk factors associated with investing in Gold Exchange Traded Funds –

- Risk of passive investment: The Underlying scheme may be affected by a general price decline in the gold prices. The Scheme ultimately invests in gold as an asset class regardless of such investment merit. The AMC does not attempt to take defensive positions in declining markets.
- Tracking error risk: The performance of the Underlying scheme may not be commensurate with the performance of the benchmark on any given day or over any given period. Such variation, referred to as tracking error may impact the performance of the Scheme.
- Trading in units on the exchange may be halted because of market conditions or for reasons that in view of exchange authorities or SEBI, trading in units of the Scheme is not advisable. In addition, trading in units is subject to trading halts caused by extraordinary market volatility and pursuant to exchange and SEBI 'circuit filter' rules. There can be no

manager may be constrained to sell these instruments in the market at realizable value and pass on the loss / impact to investors under the Scheme.

Operational Risk - Given that the FOF structure will involve splitting each subscription and redemptions into the respective funds; there is enhanced operational risk.

The Scheme will invest in a combination of equity funds, debt fund, and money market instruments hence, the performance of the scheme would depend upon the performance of Underlying schemes.

The investor will be exposed to the risk of the global markets and currency risk arising out of the investment in the Underlying scheme which invests in securities denominated in foreign currencies (eg US Dollars). The investor will also be exposed to delays in redemption if the global market is closed.

Investments in Underlying Debt schemes will have all the risks associated with the debt markets including interest rate risk, duration risk, credit risk and reinvestment risk.

Risk associated with investing in foreign securities, derivatives, unrated, securitized debt, short selling and securities lending –

The Scheme will not have any exposure to Foreign securities, derivative instruments, securitized debt or unrated instruments and shall not undertake any short selling or securities lending. However, the Underlying schemes may take exposure to the above mentioned securities. The domestic Underlying schemes of HSBC and other than HSBC schemes may take exposure to the above mentioned securities as per the limits provided (if any) in the Scheme Information Document of the respective Underlying schemes and applicable SEBI Regulations from time to time. For risk associated with the same refer risk factors provided below for Underlying scheme.

Risk associated with short selling and securities lending by Underlying schemes

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(s) 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 associated with investments in Money Market instruments .

Investments in money market instruments would involve a moderate credit risk i.e. risk of an issuer's liability to meet the principal payments.

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

assurance that the requirements of exchange necessary to maintain the listing of the units will continue to be met or will remain unchanged.

- The units may trade above or below their NAV. The NAV of the Scheme will fluctuate with changes in the market value of holdings. The trading prices will fluctuate in accordance with changes in their NAV as well as market supply and demand. However, given that units can be created and redeemed in Creation Units, it is expected that large discounts or premiums to the NAV will not sustain due to arbitrage opportunity available.
- Gold Exchange Traded Fund is relatively new product and their value could decrease if unanticipated operational or trading problems arise.
- An investment in the Scheme may be adversely affected by competition from other methods of investing in gold.
- The Board of Directors of Trustee Company, in the general interest of the unit holders of the Scheme offered under this SID and keeping in view of the unforeseen circumstances / unusual market conditions, may limit the total number of Units which can be redeemed on any Business Day.
- Any change in the rates of taxation would affect the investor
- Returns from Gold as an asset class may under perform returns from general securities market or different asset classes other than gold. Different types of securities tend to go through cycles of under performance and out performance in comparison to the general securities markets.

Risk associated with short selling and securities lending by Underlying schemes

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(s) 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 associated with investments in Money Market instruments

- Investments in money market instruments would involve a moderate credit risk i.e. risk of an issuer's liability to meet the principal payments.
- 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.²³

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.

Risk factor associated with legal, tax and regulatory risk

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

Risk Factors of Underlying scheme

The Underlying schemes having exposure to equity and equity related securities and / or fixed income securities will be subject to the following risks which may in turn affect the performance of the Scheme. There can be no assurance that the Underlying scheme will achieve its investment objectives and past performance should not be seen as a guide to future returns.

Risk associated with investments in Equity & Equity related securities by the Underlying schemes

Equity instruments by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of these investments. Different segments of financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Scheme(s) to make intended securities' purchases due to settlement problems could cause the Scheme(s) to miss certain investment opportunities. In the view of the Fund Manager, investing in mid and small cap stocks are riskier than investing in large cap Stocks.

Market Risk: The Underlying scheme's investments are subject to the risks inherent in all investments in Securities i.e. the value of holdings may fall as well as rise. As the Underlying scheme invests primarily in equities, investors are exposed to stock market fluctuations and the financial performance of the companies held in the Underlying scheme's portfolio.

Currency Risk: As the Underlying scheme could invest in securities which are denominated in foreign currencies (e.g. US Dollars), fluctuations in the exchange rates of these foreign currencies may have an impact on the income and value of the Scheme. The assets in which the Underlying scheme is invested and the income from the assets will or may be quoted in currencies which are different from the Underlying scheme's base currency. The performance of the Underlying scheme will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the Underlying scheme's base currency and hence there can be the prospect of additional loss or the prospect of additional gain to the investors greater than the usual risks of investment. The performance of the Underlying scheme may also be affected by changes in exchange control regulations.

The investment manager to the Underlying scheme is permitted, but not obliged, to use hedging techniques to attempt to offset market and currency risks. There is no guarantee that hedging techniques will achieve the desired result.

Liquidity Risk: Investors should be aware that the investments of the Underlying scheme could be negatively impacted by low liquidity and poor transparency of some of the exchanges where the investments are made. Investments may also become illiquid which may constrain the ability of the investment manager of the Underlying scheme to realize some or all of the portfolio. Securities, which are not quoted on the

Risk factor associated with legal, tax and regulatory risk

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

Risk Factors of Underlying scheme of HSBC Managed Solutions

The Underlying schemes having exposure to equity and equity related securities and / or fixed income securities will be subject to the following risks which may in turn affect the performance of the Plans under the Scheme. There can be no assurance that the Underlying scheme will achieve its investment objectives and past performance should not be seen as a guide to future returns.

Risk associated with investments in Equity & Equity related securities by the Underlying schemes of HSBC Managed Solutions

- Equity instruments by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of these investments. Different segments of financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Scheme(s) to make intended securities' purchases due to settlement problems could cause the Scheme(s) to miss certain investment opportunities. In the view of the Fund Manager, investing in mid and small cap stocks are riskier than investing in large cap Stocks.
- **Market Risk:** The Underlying scheme's investments are subject to the risks inherent in all investments in Securities i.e. the value of holdings may fall as well as rise. As the Underlying scheme invests primarily in equities, investors are exposed to stock market fluctuations and the financial performance of the companies held in the Underlying scheme's portfolio.
- **Currency Risk:** As the Underlying scheme could invest in securities which are denominated in foreign currencies (e.g. US Dollars), fluctuations in the exchange rates of these foreign currencies may have an impact on the income and value of the Scheme. The assets in which the Underlying scheme is invested and the income from the assets will or may be quoted in currencies which are different from the Underlying scheme's base currency. The performance of the Underlying scheme will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the Underlying scheme's base currency and hence there can be the prospect of additional loss or the prospect of additional gain to the investors greater than the usual risks of investment. The performance of the Underlying scheme may also be affected by changes in exchange control regulations.

The investment manager to the Underlying scheme is permitted, but not obliged, to use hedging techniques to attempt to offset market and currency risks. There is no guarantee that hedging techniques will achieve the desired result.

- **Swing Pricing Risk:** As the Underlying schemes could invest in offshore securities, there could be an element of swing pricing risk. There are trading and associated transaction costs involved when there are significant inflows into or significant outflows from the Underlying scheme. The

stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges.

Country Risk: As the underlying portfolio could invest in stocks of different countries, the portfolio shall be exposed to the social, economic, political and settlement risks with respect to each country.

Sector Concentration Risk: The underlying portfolio may have high concentration in a particular sector. The performance of the Scheme could be sensitive to movements in these sectors.

Emerging Market Risk: As the Underlying Scheme could invest in emerging markets, investors are advised to consider carefully the special risks of investing in equity and equity equivalent securities of companies which have their registered office in, and with an official listing on a major stock exchange or other regulated market of emerging market countries, as well as those companies which carry out a preponderant part of their business activities in emerging market countries. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Brokerage commissions, custodial services and other costs relating to investment in Emerging Markets generally are more expensive than those relating to investment in more developed markets. The risk also exists that an emergency situation may as a result of which trading of securities may cease or may be substantially curtailed and prices for a sub-fund's securities in such markets may not be readily available.

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

NAV Alignment Risk: The cut off timing of NAV is aligned to the Underlying scheme's NAV. HSBC Asset Management India will only declare NAV, after receiving the NAV of the Underlying scheme.

Investments in Debt Instruments by the Underlying schemes.

The Underlying scheme(s) proposes to invest in debt and related instruments and the risk factors pertinent to the same are:

Price-Risk or Interest Rate Risk: As with all debt securities, changes in interest rates may affect the NAV of the Scheme(s) 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.

dealing charges incurred as a result of such significant flows fall not only on those investors who have just transacted but on all the investors in the Underlying scheme thereby diluting the value of their existing shareholders' holding. Introduction of Swing Pricing aims to protect the interest of the existing investors from some of the performance dilution that they may suffer as a result of significant inflows and outflows from the Underlying scheme. It is a process whereby the NAV of the Underlying scheme is swung or adjusted when a predetermined net capital activity threshold (or swing threshold) is exceeded. Thus, if Net subscriptions (Total subscriptions – Total redemptions) are above the swing threshold, the NAV per share is swung up by the swing factor. Conversely, if Net redemptions (Total redemptions – Total subscriptions) are above the swing threshold, the NAV per share is swung down by the swing factor.

The swing threshold has been set at a level by the Underlying scheme which it believes best manages the objective of protecting their existing shareholders from NAV dilution by capturing a significant percentage of the gross amount of deals on any fund whilst maintaining a reasonable level of fund volatility by not swinging the NAV all the time.

Adjusted NAV Calculation: Subscription Example –

- Using the following swing pricing criteria:
 - The swinging threshold is 0.5% of the underlying scheme's Net Assets
 - The swing factor on the offer (net subscriptions above the threshold) is 1.0%
 - The swing factor on the bid (net redemptions below the threshold) is 0.5%
- Assume the following fund data:

Total net assets (US\$)	Net subscriptions (US\$)	No. of shares
US\$ 100,000,000	US\$ 600,000	1,000,000

Net subscriptions = US\$600,000

- The swinging threshold = Total Net Assets x 0.5% = US\$100,000,000 x 0.5% = US\$500,000
- As the net inflows exceed the swinging threshold, the NAV per share has to be adjusted
- Unadjusted NAV per share = Total Net Assets/No. of shares = US\$100,000,000/1,000,000 = US\$100.00
Adjusted NAV per share = NAV per share x (1 + swing factor) = US\$100.00 x (1 + 0.01) = US\$101.00
- The NAV is adjusted upwards as net subscriptions have exceeded the swinging threshold.
- Therefore, all investors (including the local Scheme) redeeming or subscribing into the underlying scheme will deal at the adjusted price of US\$101.00 per share. Thus, investors of the underlying scheme (including the local scheme) may be positively or negatively impacted by application of the swing price factor by the underlying scheme, depending upon whether they are subscribing / redeeming on the date of application of swing price factor.
- Liquidity Risk:** Investors should be aware that the investments of the Underlying scheme could be negatively impacted by low liquidity and poor transparency of some of the exchanges where the investments are made. Investments may also become illiquid which may constrain the ability of the investment manager of the Underlying scheme to realize some or all of the portfolio. Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in

Government securities do carry price risk depending upon the general level of interest rates prevailing from time to time. The extent of fall or rise in the prices is a function of the coupon rate, days to maturity and the increase or decrease in the level of interest rates. The price of the Government securities (existing and new) is influenced only by movements in interest rates in financial systems.

In the case of floating rate instruments, an additional risk could be due to the change in the spreads of floating rate instruments. If the spreads on floating rate papers rise, then there could be a price loss on these instruments. Secondly in the case of fixed rate instruments that have been swapped for floating rates, any adverse movement in the fixed rate yields vis-à-vis swap rates could result in losses. However, floating rate debt instruments which have periodical interest rate reset, carry a lower interest rate risk as compared to fixed rate debt instruments. In a falling interest rate scenario the returns on floating rate debt instruments may not be better than those on fixed rate debt instruments.

Liquidity or Marketability 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.

Credit Risk: Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e. will be unable to make timely principal and interest payments on the security). A sovereign security carries no default risk since Government raises money to meet its capital and revenue expenditure by issuing these debt or discounted securities. As the payment of interest and principal amount has a sovereign status implying no default, such securities are popularly known as "riskfree security" or "Zero Risk security". Thus Zero-Risk is the lowest risk, even lower than a security with "AAA" rating and hence commands a yield, which is lower than a yield on "AAA" security. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk. Because of this risk, corporate debentures are sold at a yield above those offered on Government Securities, which are sovereign obligations.

Reinvestment Risk: This risk refers to the interest rate levels at which cash flows received from the securities in the Scheme(s) 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.

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

comparison to securities that are listed on the exchanges.

- **Country Risk:** As the underlying portfolio could invest in stocks of different countries, the portfolio shall be exposed to the social, economic, political and settlement risks with respect to each country.
- **Sector Concentration Risk:** The underlying portfolio may have high concentration in a particular sector. The performance of the Scheme could be sensitive to movements in these sectors.
- **Emerging Market Risk:** As the Underlying Scheme could invest in emerging markets, investors are advised to consider carefully the special risks of investing in equity and equity equivalent securities of companies which have their registered office in, and with an official listing on a major stock exchange or other regulated market of emerging market countries, as well as those companies which carry out a preponderant part of their business activities in emerging market countries. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Brokerage commissions, custodial services and other costs relating to investment in Emerging Markets generally are more expensive than those relating to investment in more developed markets. The risk also exists that an emergency situation may as a result of which trading of securities may cease or may be substantially curtailed and prices for a sub-fund's securities in such markets may not be readily available.
- **Legal, tax and regulatory Risk:** The Underlying scheme could be exposed to changes in legal, tax and regulatory regime which may adversely affect it and the investors. Such changes could also have retrospective effect and could lead to additional taxation imposed on the Scheme which was not contemplated either when investments were made, valued or disposed off.
- **NAV Alignment Risk:** The cut off timing of NAV is aligned to the Underlying scheme's NAV. HSBC Asset Management India only declares NAV, after receiving the NAV of the Underlying scheme.

Investments in Debt Instruments by the Underlying schemes of HSBC Managed Solutions

The Underlying scheme(s) proposes to invest in debt and related instruments and the risk factors pertinent to the same are:

- **Price-Risk or Interest Rate Risk:** As with all debt securities, changes in interest rates may affect the NAV of the Scheme(s) 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.

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 of investments in unrated instruments:

Investments in the unrated instruments shall be subject liquidity risk, credit risk, market risk, interest rate risk, reinvestment risk etc. Also, as the unrated instruments are not being rated by the Credit Rating Agencies, there is no external credit risk assessment available for such instruments, hence, the investor will be exposed to risk associated with investments in un-rated instruments.

Risks associated with investment in third party Schemes

AMIN would have no control over investments done by the underlying third party schemes. AMIN shall not be able to monitor liquidity, credit, concentration and other investment risks like it does for in house schemes. The fund manager shall take these metrics into account while taking exposure to third party schemes.

Risks associated with investing in Derivatives by Underlying Scheme (applicable for HSBC Income Plus Arbitrage Scheme)

The Scheme may invest in derivative products in accordance with and to the extent permitted under the Regulations and by SEBI. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but of the derivative itself. Trading in derivatives carries a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount.

Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have an impact on their value and consequently, on the NAV of the Units of the Scheme.

- The derivatives market in India is nascent and does not have the volumes that may be seen in other developed markets, which may result in volatility to the values.
- Investment in derivatives also requires the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. Even a small price movement in the underlying security could have an impact on their value and consequently, on the NAV of the Units of the Scheme.



- Government securities do carry price risk depending upon the general level of interest rates prevailing from time to time. The extent of fall or rise in the prices is a function of the coupon rate, days to maturity and the increase or decrease in the level of interest rates. The price of the Government securities (existing and new) is influenced only by movements in interest rates in financial systems. - In the case of floating rate instruments, an additional risk could be due to the change in the spreads of floating rate instruments. If the spreads on floating rate papers rise, then there could be a price loss on these instruments. Secondly in the case of fixed rate instruments that have been swapped for floating rates, any adverse movement in the fixed rate yields vis-à-vis swap rates could result in losses. However, floating rate debt instruments which have periodical interest rate reset, carry a lower interest rate risk as compared to fixed rate debt instruments. In a falling interest rate scenario the returns on floating rate debt instruments may not be better than those on fixed rate debt instruments. Liquidity or Marketability 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.²⁵ Credit Risk: Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e. will be unable to make timely principal and interest payments on the security). A sovereign security carries no default risk since Government raises money to meet its capital and revenue expenditure by issuing these debt or discounted securities. As the payment of interest and principal amount has a sovereign status implying no default, such securities are popularly known as “riskfree security” or “Zero Risk security”. Thus Zero-Risk is the lowest risk, even lower than a security with “AAA” rating and hence commands a yield, which is lower than a yield on “AAA” security. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk. Because of this risk, corporate debentures are sold at a yield above those offered on Government Securities, which are sovereign obligations. Reinvestment Risk: This risk refers to the interest rate levels at which cash flows received from the securities in the Scheme(s) 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. 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	- The Scheme may face execution risk, whereby the rates seen on the screen may not be the rate at which the ultimate execution of the derivative transaction takes place. - The Scheme may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limit or circuit breakers, the Scheme may face a liquidity issue. - The options buyer’s risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the gains of an options writer are limited to the premiums earned. Since in case of the Scheme all option positions will have underlying assets, all losses due to price – movement beyond the strike price will actually be an opportunity loss. - The exchange may impose restrictions on exercise of options and may also restrict the exercise of options at certain times in specified circumstances and this could impact the value of the portfolio. - Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks. - The Scheme bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme. - The risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and the potential high volatility of the futures markets. - There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counterparty”) to comply with the terms of the derivatives contract. - Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. - Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. - Execution of investment strategies depends upon the ability of the fund manager(s) to identify such opportunities which may not be available at all times. Identification and execution of the strategies to be pursued by the fund manager(s) involve uncertainty and decision of fund manager(s) may not always be profitable. No assurance can be given that the fund manager(s) will be able to identify or execute such strategies. - The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risk factors associated with underlying scheme investing in REITs and InvITs The Underlying scheme may also invest in REITs and InvITs which may subject the scheme to the following risks: Market Risk: REITs and InvITs Investments are volatile instruments and are subject to price fluctuations on a daily basis owing to the market conditions and factors impacting the underlying assets. Fund Manager will do the necessary due diligence but actual market movements may be at variance with the anticipated trends.
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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 of investments in unrated instruments:** Investments in the unrated instruments shall be subject liquidity risk, credit risk, market risk, interest rate risk, reinvestment risk etc. Also, as the unrated instruments are not being rated by the Credit Rating Agencies, there is no external credit risk assessment available for such instruments, hence, the investor will be exposed to risk associated with investments in un-rated instruments.

Risks associated with investment in third party Schemes

AMIN would have no control over investments done by the underlying third party schemes. AMIN shall not be able to monitor liquidity, credit, concentration and other investment risks like it does for in house schemes. The fund manager shall take these metrics into account while taking exposure to third party schemes.

Risks associated with investing in Foreign Securities

- **Foreign Securities:** It is the AMC's belief that investment in foreign securities offers new investment and portfolio diversification opportunities into multi-market and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by the AMC provided they are considered appropriate in terms of the overall investment objectives of the Scheme. Since the Scheme would invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of the Scheme. To manage risks associated with foreign currency and interest rate exposure, the Fund may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated by SEBI / RBI from time to time.
- Offshore investments will be made subject to any / all approvals, conditions thereof as may be stipulated by SEBI / RBI and provided such investments do not result in expenses to the Fund in excess of the ceiling on expenses prescribed by and consistent with costs and expenses attendant to international investing. The Fund may, where necessary, appoint other intermediaries of repute as advisors, custodian / sub-custodians etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceiling of expenses. The fees and

Liquidity Risk: The liquidity of the investments could, at times, be restricted by trading volumes, settlement periods, dissolution of the trust, potential delisting of units on the exchange etc. Hence, the time taken by the Fund Manager for liquidating the investments in the scheme may be longer than anticipated. As these products are new to the market they are likely to be exposed to liquidity risk.

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

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

Risks associated with investing in securitised debt by Underlying Scheme

Securitised Debt: Securitised debt papers carry credit risk of the Obligors and are dependent on the servicing of the PTC / Contributions etc. However these are offset suitably by appropriate pool selection as well as credit enhancements specified by Rating Agencies. In cases where the underlying facilities are linked to benchmark rates, the 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.

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. Therefore, redeeming the entire investment may not be possible from FOF to the extent of underlying fund triggering segregated portfolio due to downgrade/ default in its debt exposures.

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.



expenses would illustratively include, besides the investment management fees, custody fees and costs, fees of appointed advisors and sub-managers, transaction costs and overseas regulatory costs.

- To the extent that the assets of the Scheme will be invested in foreign securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value 26 of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.
- Changes to the investment objectives or strategies of the Underlying scheme into which the Scheme invest or any change in the regulations in the country where such Underlying scheme is domiciled may affect the performance of the Scheme which invest into such schemes.

Risks associated with investing in Derivatives by Underlying Scheme

- The Fund may use derivative instruments like stock index futures, option on stocks, stock indices, interest rate swaps, forward rate agreements or other derivative instruments as permitted under the Regulations and guidelines.
- As and when the Underlying 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.

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.

Risks associated with transaction in Units through Stock Exchange mechanism

- In respect of transactions in Units of the Scheme routed through the 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.

Risk associated with investments in Gold/Silver ETFs: (This Risk is associated only with HSBC Multi Asset Active FOF)

- To the extent the Scheme's assets are invested in Gold/Silver ETFs, the risks associated with the underlying Gold / Silver ETFs, will also be applicable.
- Generally, the investments in ETFs are exposed to tracking error risk, passive management risk and price volatility risk. The Scheme would invest in Gold/Silver ETFs and thus the NAV of the scheme will react to Gold/Silver price movements. Several factors that may affect the price of gold/silver are as follows: - Global gold / silver supplies and demand, which is influenced by factors such as forward selling by gold/silver producers, purchases made by gold/ silver producers to unwind gold/silver hedge positions, central bank purchases and sales, productions and cost levels in major gold/silver producing countries
 - Investors' expectations with respect to the rate of inflation
 - Currency exchange rates
 - Interest rates - Investment and trading activities of hedge funds and commodity funds
 - Global or regional political, economic or financial events and situations
 - Changes in indirect taxes or any other levies
- Investors should be aware that there is no assurance that gold/silver will maintain its long-term value in terms of purchasing power in the future. In the event that the price of gold/silver declines, the value of investment is expected to decline proportionately.
- The returns from physical gold/silver in which the underlying Gold/Silver ETFs invest may underperform returns from the various general securities markets or different asset classes other than gold/silver. Different types of securities tend to go through cycles of outperformance and under-performance in comparison to the general securities markets.

Risk factors associated with underlying scheme investing in REITs and InvITs

The Underlying scheme may also invest in REITs and InvITs which may subject the scheme to the following risks:

- **Market Risk:** REITs and InvITs Investments are volatile instruments and are subject to price fluctuations on a daily basis owing to the market conditions and factors impacting the underlying assets. Fund Manager will do the necessary due diligence but actual market movements may be at variance with the anticipated trends.
- **Liquidity Risk:** The liquidity of the investments could, at times, be restricted by trading volumes, settlement periods, dissolution of the trust, potential delisting of units on the exchange etc. Hence, the time taken by the Fund Manager for liquidating the investments in the scheme may be longer than anticipated. As these products are new to the market they are likely to be exposed to liquidity risk.
- **Reinvestment Risk:** Investments in REITs & InvITs may carry reinvestment risk as there could be repatriation of funds by the Trusts in form of buyback of units or dividend pay-outs, interest payments, etc. Depending upon the market conditions, interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. As a result, the proceeds may get deployed at a lower yield.
- **Regulatory / Legal Risk:** REITs and InvITs being new asset classes, regulatory guidelines may be evolving in nature which may impact the investments in REITs and InvITs.

Risks associated with investing in securitised debt by Underlying Scheme

- **Securitised Debt:** Securitised debt papers carry credit risk of the Obligors and are dependent on the servicing of the PTC / Contributions etc. However these are offset suitably by appropriate pool selection as well as credit enhancements specified by Rating Agencies. In cases where the underlying facilities are linked to benchmark rates, the 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:

- The units of Gold/Silver ETFs may trade above or below their NAV. The NAV of the Scheme will fluctuate with changes in the market value of the holdings. The trading prices will fluctuate in accordance with changes in their NAV as well as market supply and demand. However, given that units can be created and redeemed in Creation Units, it is expected that large discounts or premiums to the NAV will not sustain due to arbitrage opportunity available.
- The scheme will subscribe to the units of Gold/Silver ETFs according to the value equivalent to unit creation size as applicable. When subscriptions received are not adequate enough to invest in creation unit size, the subscriptions may be deployed in debt and money market instruments which will have a different return profile compared to gold/ silver returns profile. The Scheme may also purchase units of Gold/Silver ETFs from the secondary market in stock exchange when subscriptions received are not adequate enough to invest in creation unit size. Since the price of Gold/ Silver ETF units traded on stock exchange may be different from the NAV of Gold/Silver ETF due to liquidity, the Scheme may at times purchase units which are higher in price than the value of gold/silver represented by them or indicative NAV (iNAV) of the Gold/Silver ETF. However, the Fund Manager would make best efforts to purchase units at a price which may be closer or equivalent to representative value of the gold/silver or indicative NAV (iNAV) of the Gold/Silver ETF.
- The units issued under the Scheme, when predominantly invested in Gold/Silver ETFs, will derive liquidity from the underlying Gold/Silver ETF having creation / redemption process in creation unit size of predefined quantity of physical gold/silver. At times prevailing market conditions may affect the ability of the underlying Gold/silver ETFs to sell gold/silver against the redemption request received.
- Furthermore, the endeavor would always be to get cash on redemptions from the underlying Gold/silver ETFs.

However, in case the underlying Gold/Silver ETF is unable to sell for any reason, and delivers physical gold/silver, there could be delay in payment of redemption proceeds pending such realization.

- Additionally, the Scheme will seek to derive liquidity from trading units of underlying Gold/Silver ETFs on the exchange(s) in the secondary market which may be inherently restricted by trading volumes, settlement periods and transfer procedures. As there is no active secondary market for Gold/Silver ETFs, the processing of redemption requests at times may be delayed. In the event of an inordinately large number of redemption requests, or restructuring of the Scheme's investment portfolio, the processing of redemption requests may be delayed.
- Gold/Silver ETFs would ordinarily repurchase Units in Creation Unit Size. Thus Unit holding less than Creation Unit Size can only be sold through the secondary market on the Exchange. Further, the price received upon the redemption of Units of Gold/Silver ETFs may be less than the value of the gold/silver represented by them.

	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. Risks associated with transaction in Units through Stock Exchange mechanism In respect of transactions in Units of the Scheme routed through the 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 handling, storing and safekeeping of physical gold/silver by underlying scheme would always be applicable to the scheme to the extent of its investment in gold/silver ETF. All physical gold/silver procured must follow the LBMA guidelines as per prescribed SEBI guidelines. Risk arises when part or all of the gold/silver held by the Fund could be lost, stolen or damaged and access to gold/silver may be restricted due to natural calamities or human actions. Loss or damage directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power. Loss due to aridity, humidity, exposure to light or extremes of temperature. Hence, the Custodian of the Gold/silver ETF is required to maintain insurance in regard to the business on terms and conditions and the custodian is also responsible for all costs arising from the insurance policies. The custodian taking delivery on behalf of the underlying schemes needs to ensure the weight, purity, and the source of gold/silver as specified under the LBMA guidelines. Since this is paramount to the SEBI guidelines the risk arises in violation of same. Safekeeping of physical gold/silver requires appropriate vaulting space, confirming to the best global standards. The vaulting agents engaged by the custodian needs to ensure the same.
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In view of the above, relevant changes will be carried out in the SIDs and KIMs of the respective schemes. Currently, HSBC Managed Solutions has a single SID and KIM with three plans with separate portfolios and with the above change separate SID and KIM will be issued for the schemes.

As per the Framework the above changes will not be tantamount to change in fundamental attributes of the above schemes. Accordingly, the same has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and HSBC Trustees (India) Private Limited. SEBI has also noted the proposed changes in the scheme attributes of the Scheme to align/recategorize the scheme as per the Framework.

All the other terms and conditions of the SIDs and KIMs of the aforesaid schemes will remain unchanged.

This notice-cum-addendum forms an integral part of the SIDs and KIMs of the aforementioned schemes of HSBC Mutual Fund.

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

Sd/-

Authorized Signatory

Place: Mumbai

Date: March 10, 2025