HSBC

GENERIC KEY FEATURES DOCUMENT FOR MUTUAL FUNDS

For Resident Indian and Non-Resident Indian customers of The Hongkong and Shanghai Banking Corporation Limited, India.

The purpose of this document

This document is designed by The Hongkong and Shanghai Banking Corporation Limited, incorporated in Hong Kong SAR with limited liability, having its India corporate office at 52/60, Mahatma Gandhi Road, Fort, Mumbai - 400 001 (hereinafter also referred to as 'the Bank', 'we' or 'us') to highlight what we believe to be the key information about various mutual fund ('MF') schemes. In this document, we endeavour to provide you (hereinafter also referred to as 'customer,' 'investor', 'you' or 'your') generic information about MFs to enable you to understand the features of the various MF schemes.

However, this document contains generic information about mutual fund schemes and should be read concurrently with the scheme specific documents (namely the Statement of Additional Information (SAI)/Key Information Memorandum (KIM)/Scheme Information Document (SID) and addendums thereto issued by the mutual fund house from time to time) ('Scheme Specific Documents') relating to the specific mutual fund schemes in your consideration set before investing.

Key things that you should know

1. This document aims to help you understand key information about various mutual fund schemes distributed by us.
2. Investment in a mutual fund scheme is not a guaranteed investment, which means that the value of your investment may become lesser than you had originally invested.
3. In the Capital Protection Oriented Fund category (Closed-ended), the Bank only distributes products from HSBC Mutual Fund (HSBC MF) and does not offer products from other mutual fund houses. The Bank does not conduct any due diligence on the products of HSBC MF, as the same are a part of the HSBC Group and are governed by internal parameters. As regards mutual fund schemes managed by other third party asset management companies distributed by the Bank, the due diligence is undertaken by a team based on various internal product parameters.
4. We endeavour, at all times, to suggest a range of products (Whitelist Funds*) that we feel are likely to be suitable and appropriate for you, based on your financial needs, risk profile, investment objectives and other information provided by you. The decision to transact in Whitelist Funds recommended by us will finally rest with you. We shall assist you in the processing of your specific transaction instructions in Whitelist Funds submitted in the form of a pre-printed Letter of Instruction, in the format prescribed by the Bank, which is required to be signed by you. This Letter of Instruction would be provided to you by your Relationship Manager on request. The Letter of Instruction format is also available on our website at https://www.hsbc.co.in/1/2/personal/wealth-management/mutual-funds. You may also transact in Whitelist Funds through our online platform at your own risk and volition as an 'Execution Only' transaction. However, submission of an Instruction by you through the Wealth Shopping Cart functionality on the online platform including mobile banking , shall not categorise the transaction as 'Execution Only' transaction.

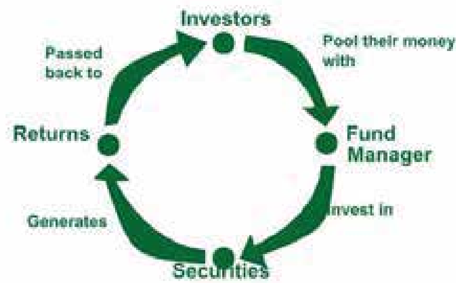
   *Whitelist Funds (WL) are mutual fund schemes which have undergone internal assessments by the Bank and are accorded specific Product Risk Ratings. Such mutual fund schemes are offered to customers to invest, both pursuant to investment planning discussions and on a 'Do It Yourself' basis on our online platform.
5. We also offer investment options in mutual fund schemes beyond the Whitelist Funds (Non Whitelist Funds (NWL)). NWL Funds are only offered through our online platform, on a 'Do It Yourself' basis, without our recommendation or advice. We do not accord specific Product Risk Ratings to these NWL Funds. Your transaction in NWL Funds shall be made as 'Execution Only' and the decision to invest in the NWL Funds shall be at your own risk and volition. Any assistance provided by the Bank for execution of such transactions in NWL Funds are not an endorsement from us that the said transaction or the mutual fund scheme is suitable for you.
6. All mutual funds do not carry the same risks. There are a number of risks that you should be aware of before you decide to invest. This document only provides details on a small set of risks. Do refer to all Scheme Specific Documents for each scheme of mutual fund for a detailed list and a full explanation of the risks involved in investing in the scheme.
7. As per Securities and Exchange Board of India (SEBI) circular CIR/IMD/DF/5/2013 dated 18 March 2013, SEBI has directed all asset management companies ('AMCs') to implement mutual funds product labeling with effect from 1 July 2013. The product label of each fund is provided in Scheme Specific Documents of the respective fund. Further, as per SEBI circular CIR/IMD/DF/4/2015 dated 30 April 2015, SEBI has mandated all asset management companies to depict the risk in each scheme by means of a pictorial meter named 'Riskometer' and this Riskometer in the Scheme Specific Documents would appropriately depict the level of risk in the scheme of mutual fund. SEBI has issued a circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated 05 October 2020, where further revisions were made to guidelines for product labeling in mutual funds. This new circular is in force effective 01 January 2021.
8. Mutual Fund Risk-o-meter of each scheme of mutual fund is defined by the respective mutual funds house/Asset Management Company (AMC) as guided by SEBI. Risk-o-meter is intended to provide investors an easy understanding of the kind of product/scheme they are investing in and associated risk. The Bank updates the risk-o-meter as and when the information is published by AMC in public domain using batch update approach which could result in a lag in updating the risk-o-meter for the schemes on our systems and other relevant documents. Investors should refer to risk-o-meter published by the AMCs on their respective websites for the mutual fund schemes in consideration, prior to investing.
9. There are costs (fees, charges, expenses, etc.) associated with investing in and exiting from a fund. Investors should carefully consider the costs when making an investment decision, as these have the effect of reducing the overall returns that you receive either in the income that you get or in the capital growth that you experience. Total Expense Ratio (TER) is deducted from the overall value of the scheme, irrespective of whether the mutual fund scheme has made a profit or not. Therefore,

deduction of the TER can also increase the loss, a mutual fund scheme may have made. TER is the total cost of running and managing a mutual fund, which is charged by mutual fund house to the scheme, and is subject to the limits prescribed by SEBI (Mutual Fund) Regulations, 1996. The TER is calculated as a percentage of the scheme's average Net Asset Value (NAV). The daily NAV of a mutual fund is disclosed after deducting the expenses. Thus, the TER has a direct bearing on a scheme's NAV – the lower the TER of a scheme, the higher the NAV. Similarly, bank charges reduce the overall value of your investment. Costs incurred by investors include charges levied by the mutual fund houses (Total Expense Ratio and Exit Load) and charges payable to the Bank.

10. On the redemption/switch of mutual fund investments, an exit load and certain tax liabilities may be applicable to you. The details of the exit load charged by each mutual fund house shall be specified in the respective Scheme Specific Documents. Additionally, for purchase transactions, there are taxes associated with capital gains and dividends earned from your investments in mutual funds that need to be considered prior to selecting the appropriate fund option. These taxes are subject to change and you should consult your tax advisor prior to investing. The Bank does not provide tax advisory services. In case of redeeming and re-investing in schemes within the same asset class of the same mutual fund house, you may consider the 'switch' option which is generally a cost-effective way to transact, as there may be no need to pay the applicable exit load to the mutual fund house. For a switch transaction within the same asset class of a mutual fund house, no mutual fund transaction charges are payable to the Bank.
11. By virtue of the Amendment to India Stamp Act, 1899 and Rules made thereunder, stamp duty will be imposed on purchase/switch in of mutual funds, including systematic investment plans (SIPs) and systematic transfer plans (STPs) and will be applicable on both debt and equity mutual funds. Stamp duty is imposed on the value of units excluding other charges like service charge, AMC fee, GST etc. Redemption of mutual funds or off-market transfer of mutual funds without consideration, such on gift, legacy transfer etc., are not liable to stamp duty.

What is a mutual fund?

A mutual fund is a type of investment where the money of a number of investors is pooled together and used by the fund manager (referred to as the 'Asset Management Company' or the 'AMC') to invest in underlying securities in line with the objectives of the mutual fund scheme.



Source: AMFI India

By this method you can achieve a much wider spread of investments than if you invest directly in the underlying investments. It is generally accepted that by spreading your investment, you are spreading your risk. Therefore, investing in mutual funds is generally considered to have lower risk than direct investment.

When you invest in mutual funds, you do not own the underlying investments, but have a claim to a specific number of units in the fund representing the size of your investment. The value of each unit of the mutual fund scheme is calculated based on the market value of the underlying investments, after deducting expenses and liabilities, and is referred to as the 'Net Asset Value' or NAV.

The first time a mutual fund scheme is available for purchase is referred to as a New Fund Offering or NFO.

What are the various types of mutual fund schemes?

Mutual fund schemes are manufactured by various mutual fund houses and can be broadly classified in two ways: a) by structure and b) by asset category. There are hundreds of specific schemes designed around these parameters, to meet different investment objectives with regard to risk, return and investment horizon.

By structure

By structure, mutual fund schemes can be classified as open-ended or closed-ended mutual funds.

Open-ended mutual funds

Open-ended mutual funds do not have any fixed maturity period and are available to investors, for subscription and redemption, on an ongoing basis, during the New Fund Offer (NFO) period and beyond. Investors may buy and sell these schemes directly from/to the mutual fund, whenever they desire subject to specific business days/hours as may be prescribed by the respective mutual fund. The units of such schemes are available at NAV related prices (subject to applicable loads/charges) from the mutual fund and every subscription/redemption results in the creation/deletion of units of the scheme. As a result, the amount of funds and the number of units in the scheme vary every day. It should however be noted that, in exceptional circumstances, (such as non-functioning of stock markets and financial markets in general, natural calamities, corporate action in funds, etc.), mutual funds may restrict subscriptions into and/or redemptions from such schemes.

You should consider any investment in equity-oriented open-ended mutual fund schemes as a medium to long-term investment (a minimum suggested investment horizon of 3 years) as early encashment may result in the loss of capital and also create tax obligations.

Please refer to the section on 'Risks' below to understand the risks pertaining to mutual fund schemes.

Closed-ended mutual funds

These funds have fixed, normally predefined, maturity periods – which usually vary from 1 month to 15 years. These units are available for subscription only during the NFO period. These schemes are listed on a recognised stock exchange and the investor seeking to exit has to sell units through the exchange. New investors thus buy units from existing investors – unlike in an open-ended fund, where the mutual fund creates new units for new investors and deletes units when investors redeem. Thus, in a closed-ended fund, the amount (units) of funds managed by the AMC is unchanged beyond the initial NFO period. The price at which the units of the scheme trade on the exchanges is determined by market forces and may not be linked to the underlying NAV of the fund.

For close-ended funds, no redemption/repurchase of units is allowed by the mutual fund before the maturity of the scheme. Investors wishing to exit may do so by selling their units, post dematerialisation (demat) of mutual funds units, through the stock exchange. The documentation required for the dematerialisation of holdings and the time taken for completing the process would be advised to the investor by the AMC/Depository Participant. However, there may not always be liquidity available in the market to effect this transaction.

Please refer to the section on 'Risks' below to understand the risks pertaining to mutual fund schemes.

By Asset Category

On the basis of investing in asset classes, mutual funds can be broadly divided into three categories: Equity, Debt and Hybrid.

Equity Funds

These funds invest primarily into equity shares or stocks of listed companies. These funds are further classified on the basis of market capitalisation, management style, underlying theme, etc., into categories such as Diversified Equity Funds such as Large Cap, Mid/ Small Cap, Flexible/Multi Cap, Index Funds ELSS Fund and Value Fund and Sector/Theme Funds.

Debt Funds

These funds invest primarily into fixed income securities such as debentures, bonds, securitised obligations, money market instruments, government securities (Gilt), floating/fixed rate debt instruments, etc. These funds are further classified as Cash/Liquid, Ultra Short Duration Fund, Low Duration Fund, Short Term Duration Fund, Dynamic Bond, Long Duration and Medium Duration Fund, Corporate Bond Fund, Credit Risk Fund, Banking and PSU Debt Fund, and Fixed Maturity Plans.

Hybrid Funds

Hybrid Funds invest in a combination of equity and debt securities. Within the hybrid fund category, exists another subcategory called Fund of Funds (FoFs).

Fund of Funds (FoFs)

1. These schemes typically invest in units/shares of other mutual fund scheme/unit trusts.
2. The performance and the risk of the Fund of Funds schemes are dependent on the underlying funds i.e. the Fund of Fund scheme will be subjected to all the risks related to the underlying schemes that they are invested in.
3. In addition to the risks, a Fund of Funds scheme also requires to bear scheme specific expenses and the expenses of the underlying schemes.

Arbitrage Fund is a subcategory within the Hybrid category

Arbitrage Funds

Arbitrage fund investment objectives are primarily to generate returns by trading in arbitrage opportunities (differences in pricing in the Spot Market (Cash) and Futures Market) of securities and other derivative strategies in equity markets and investments in debt and money market instruments. They apply strategies to take off setting positions available on various markets instruments.

1. These are open ended Schemes with underlying investmentsing in arbitrage opportunities.
2. The corpus of the Scheme will be invested in equity shares, equity related securities as well as in debt and money market instruments.
3. Like all other mutual funds, tThere is no assurance or guarantee that the investment objective of the Scheme will be achieved.
4. The Scheme may use derivatives instruments like Stock/Index Futures, Interest Rate Swaps, Forward Rate Agreements or such other derivative instruments as may be introduced by SEBI from time to time for the purpose of hedging and portfolio balancing, within a permissible limit of portfolio, which may be increased as permitted under the Regulations and guidelines from time to time.
5. Kindly read the Scheme Specific Documents issued by mutual fund house/Asset Management Company (AMC) for the specific arbitrage funds in your consideration set, for a detailed understanding of the Scheme and the associated risks, prior to investing.

Hybrid Funds are further classified as Conservative Hybrid Fund, Aggressive Hybrid Fund, Domestic FoFs, Offshore/International Funds, Gold Funds, Capital Protection Oriented Funds, and Closed-ended Hybrid Funds.

What are the key risk factors associated with investing in mutual funds?

Key risks associated with investing in mutual funds are given below:

- An investment in a mutual fund scheme is not a guaranteed investment. Their NAVs and the income from mutual fund investments, are not fixed. This means that the value of your investment may be less than what was originally invested. In other words, it is possible that when you redeem your units from a mutual fund scheme, the value of your capital may reduce due to a fall in the price of the underlying securities of the specific scheme that you have chosen
- Before you decide to invest in mutual funds, there are a number of risks (both general and specific) that you must be aware of. For a full explanation of such risks, you must refer to the Scheme Specific Documents of the respective scheme(s)
- Market risk – Market risk is a risk which is inherent to investment in securities. This may expose the scheme to capital erosion. The performance of any scheme of mutual fund can be affected by several factors, including, the corporate performance, macro-economic factors, changes in government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in the securities markets

  For equity funds: The scheme being an equity scheme invests into stocks and equity related instruments. Hence, at the generic level, the scheme will be exposed to the volatility of equity markets.

  For debt funds: This risk arises primarily due to price volatility due to such factors as interest sensitivity, market perception or the credit worthiness of the issuer and general market liquidity, change in interest rate expectations and liquidity flows.
- Liquidity risk – Low trading volumes, settlement periods and transfer procedures may restrict the liquidity of the scheme's underlying investments. Transacting may become difficult due to extreme volatility in the market resulting in constriction in volumes
- Interest rate risk – This risk results from changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of debt instruments. Consequently, the NAV of the scheme may be subject to fluctuation. Changes in the interest rates may affect the Scheme's NAV, as the prices of securities generally increase, as interest rates decline and decrease as interest rates rise. Prices of long term securities generally fluctuate more in response to the interest changes than short term securities
- Credit risk – Mutual fund schemes investing in debt securities are subject to the risk of inability of issuers of underlying debt securities to meet interest and principal payments on its debt obligations. Such schemes also faces reinvestment risk, which refers to the interest rate levels at which cash flows received for the securities in the scheme are reinvested
- Re-investment Risk – This risk refers to the interest rate levels at which cash flows received from the securities in the Scheme is reinvested. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed. Reinvestment risks will be limited to the extent of coupons received on debt instruments, which will be a very small portion of the portfolio value
- Concentration risk – It is possible for mutual fund schemes to have substantial exposure to single issuers. Although these exposures would be within the regulatory limits prescribed by SEBI, they could pose additional risk to investors, as the portfolio could comprise only of 4 to 5 issuers. Further, investors could also be exposed to group level risks resulting from an aggregation of issuers associated with the same group
- Derivatives risk – As and when the schemes trades 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 equity and debt securities. 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
- Tax risk – Tax burden, if any, imposed by Indian tax law or regulatory requirements or any changes to the same, will be borne by the investors
- Inflation risk – Inflation reduces the value of your money over time. Investors need to consider the effect that inflation may have on the real value of the investment during the tenure of the fund
- Sector concentration risk – For sectoral funds, investment focus is on selected sectors of the market, and the portfolio will be concentrated in select companies across these sectors. This may make the portfolios vulnerable to factors that may affect these sectors in general, thereby leading to increased volatility in the movement of the scheme's NAV
- Non-diversification risk – The limited number of portfolio holdings in the scheme is expected to create a relatively less diversified portfolio vis-à-vis other equity oriented schemes. The relatively high percentage of the scheme's assets invested in a limited number of equity and equity related securities may expose the portfolio to higher levels of volatility vis-à-vis a diversified scheme. Such a scheme is also expected to have higher market liquidity risk
- Specific risk factors for certain types of capital protection oriented funds (e.g. orientation towards protection of the capital, credit ratings, etc.) are disclosed to customers in accordance with the prevailing regulatory requirements at the time of purchase of the relevant fund
- Hedging risk – The investment manager to the 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
- Inter Scheme Transfer (IST) risk – IST is an alternative route of selling securities by the mutual fund house. IST allow moving debt securities between schemes within the same mutual fund house. IST is a practice prevalent with the fund houses in India primarily on account of shallow market for certain type of debt securities. SEBI, the capital market regulator, has laid down guidelines for IST.

  There is a standardized approach of the industry players for IST, which includes valuation and disclosures in public domain

- Risks associated with investments in commodity related funds (e.g. Gold Savings Funds) –
  1. The scheme would invest in commodity and commodity-linked instrument(s). Accordingly, the NAV of the scheme will react to commodity price movements. Units of the fund are proposed to be listed on a stock exchange; hence, the market prices of the units would also react to general stock market fluctuations.
  2. Although units are proposed to be listed on an exchange, there can be no assurance that an active secondary market will develop or be maintained. Prices of units, which are proposed to be listed and traded, could be impacted by thin liquidity in the secondary market as these funds may not be actively traded.
  3. Risk of passive investment: The scheme is not actively managed. The 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.
  4. Tracking error risk: The performance of the 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. However, the Investment Manager would monitor the tracking error of the scheme on an on-going basis and would seek to minimise tracking error to the maximum extent possible. Investible surplus remaining idle increases the tracking error and hence, acts as a risk factor.
  5. The returns from physical asset in which the scheme invests may under-perform returns from the various general securities markets or different asset classes other than underlying commodity. Different types of securities tend to go through cycles of out-performance and underperformance in comparison to the general securities markets.
- Risks associated with investments in international funds and domestic funds with international exposure/overseas investments –
  1. Portfolio disclosure risks – The disclosures of portfolio for the scheme will be limited to the particulars of the underlying international fund and money market securities where the mutual fund scheme has invested. Investors may, therefore, not be able to obtain specific details of the investments of the underlying international funds.
  2. Liquidity risk – The liquidity of the scheme's investments may be inherently restricted by the liquidity of the underlying schemes in which it has invested.
  3. Expense risk – Any increase in the expense structure of international funds is not expected to have any impact as the aggregate of expenses charged by the Indian Fund-of-Funds scheme and the underlying international funds is subject to limits prescribed by SEBI. This, however, is subject to change.
  4. Emerging/Frontier Market risk – Emerging markets and Frontier markets are typically poor or less developed countries which exhibit lower levels of economic and/or capital market development, and higher levels of share price and currency volatility. The prospects for economic growth in a number of these markets are considerable and equity returns have the potential to exceed those in mature markets as growth is achieved. However, share price and currency volatility are generally higher in emerging and frontier markets.
  5. Currency risk – Returns to investors are the result of a combination of returns from investments and from movements in exchange rates. For example, if the Rupee appreciates vis-a-vis the USD, the extent of appreciation will lead to a reduction in the yield to the investor. However, if the Rupee appreciates against the USD by an amount in excess of the interest earned on the investment, the returns can even be negative. Again, in case the Rupee depreciates vis-a-vis the USD, the extent of depreciation will lead to a corresponding increase in the yield to the investor. Going forward, the Rupee may depreciate (lose value) or appreciate (increase value) against the currencies of the countries where the scheme will invest.
  6. Country risk – Country risk arises from the inability of a country to meet its financial obligations. It is the risk encompassing economic, social and political conditions in a foreign country which might adversely affect the interests of the scheme. The value of the underlying scheme(s) will be affected by economic, political, market, exchange and issuer specific changes in the country. Such changes may adversely affect securities, regardless of company specific performance. Additionally, different sectors and securities can react differently to these changes. Such fluctuations of the underlying scheme(s)'s value are often exacerbated in the short term as well. The risk that one or more companies in the underlying scheme(s)'s portfolio will fall, or fail to rise, can adversely affect the overall performance of the scheme in any given period.
  7. Swing pricing risk – There are trading and associated transaction costs involved when there are significant inflows or outflows from the underlying scheme. The 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 fund thereby diluting the value of 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 fund. It is a process whereby the NAV of the fund is swung or adjusted when a predetermined net capital activity threshold (or swing threshold) is exceeded. Thus, if net subscriptions are above the swing threshold, the NAV per share is swung up by the swing factor. Conversely, if net redemptions are above the swing threshold, the NAV per share is swung down by the swing factor.
- **Risks associated with mutual fund schemes' investments in securitised assets** –

  A securitisation transaction involves sale of receivables by the originator (a bank, non-banking finance company, housing finance company, or a manufacturing/service company) to a Special Purpose Vehicle (SPV), typically set up in the form of a trust. The SPV issues Pass Through Certificates (PTCs) to its investors/PTC holders, the proceeds of which are paid as consideration to the originator. In this manner, the originator, by selling its loan receivables to an SPV, receives purchase consideration from the SPV much before the maturity of the underlying loans. The collections of the underlying loans from borrowers are paid by the SPV to its investors. Typically, the originator provides to the SPV a limited amount of credit enhancement (as stipulated by the rating agency for a target rating), which provides protection to investors/PTC holders against defaults by the underlying borrowers. However, where the defaults by the underlying borrowers exceeds the amount of credit enhancement provided by the originator, the losses will have to be borne by the investors/PTC holders. Any such losses sustained by any scheme of mutual fund which has invested in any securitized asset will have an adverse impact on the overall performance of the scheme

- **Risk associated with ESG Investment**
  - Sustainability Investments covers a broad range of environmental, social and governance topics with a view to achieving a financial return ('ESG Impact')
  - ESG Funds may invest based on carbon footprint and/or ESG ratings and/or certain inclusion/exclusion themes as set out in the investment policy of the respective fund ('Green Criteria'). The use of Green Criteria may affect the fund's investment performance and, as such, the fund may perform differently compared to similar funds that do not use such criteria. For instance, Green Criteria used in a ESG Fund's investment policy may result in the fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to Green Criteria when it might be disadvantageous to do so. As such, the application of Green Criteria may restrict the ability of the fund to acquire or dispose of its investments at a price and time that it wishes to do so, and may therefore result in a loss to the fund. The use of Green Criteria may also result in the fund being concentrated in companies with a focus on Green Criteria and its value may be more volatile than that of a fund having a more diverse portfolio of investments
  - There is a lack of standardized taxonomy of Green Criteria evaluation methodology and the way in which different ESG funds apply such Green Criteria may vary
  - The AMC's evaluation of a company's Green Criteria may be dependent upon information and data from third party Green Criteria data providers, which may be incomplete, inaccurate or unavailable. As a result, there is a risk associated with the assessment of a security or issuer based on such information or data
  - Funds investing in two or more asset classes carry risks inherent to the asset classes they invest in
  - The nature of ESG Impact investments targeted by an ESG fund may not be aligned with any particular customer's impact goals
  - A few additional risks are covered in the fund explanations in the table below

  There is no guarantee that an investment approach which considers environmental, social and governance ('ESG') or impact investment factors will produce returns similar to those which don't consider these factors. Investments which consider ESG or impact investment factors may diverge from traditional benchmarks, returns and risk.

  In addition, there is no standard definition of, or measurement criteria for ESG or impact investment (ESG Impact). ESG Impact measurement criteria is (a) highly subjective and (b) may vary significantly across and within sectors and across different investment product manufacturers.

  HSBC undertakes due diligence when selecting third party managers/product manufacturers. However, HSBC relies on the ESG Impact measurement criteria reported by third parties and does not conduct its own specific due diligence in relation to ESG Impact measurement criteria.

  There is no guarantee that: (a) the nature of the ESG Impact of an investment will be aligned with any particular investor's ESG Impact goals; and (b) the stated level or target level of ESG Impact will be achieved.

What are key categories of mutual funds?

The table below provides details on different sub-categories of mutual funds. The minimum suggested investment horizon has been provided only to explain more clearly the time frame that you should keep in mind prior to investing and does not imply any promise/ assurance of performance.

Debt funds	
Overnight Funds Minimum suggested investment horizon: 1 day	An open ended debt scheme investing in overnight securities. The fund aims to generate returns by investing in debt and money market instruments with overnight maturity. The fund will invest in debt and money market instruments upto 100% of the total asset.
Cash/Liquid Fund (CF) Minimum suggested investment horizon: 1 day	Liquid fund schemes are short-term products by mutual funds that seek to preserve capital, provide liquidity and reasonable returns in line with short-term debt investments. These funds usually invest into short-term debt instruments issued by highly-rated companies, banks and the government that will mature within 91 days. These schemes try and minimise price movements by investing in high credit quality instruments that mature in a short period. Expected returns and risk to capital are usually amongst the lowest vis-à-vis other fund types.
Ultra Short Duration Fund (USDF) Minimum suggested investment horizon: 3 months	These are short-term debt fund schemes by mutual funds that seek to provide higher returns than liquid funds and require longer investment horizons than liquid funds. These funds invest into short-term debt instruments such as bonds, money market instruments, government securities, floating rate debt instruments, etc. These schemes also try and minimise price movements by investing in high credit quality instruments that mature in a short period. Risk to capital is relatively higher than cash/liquid funds.
Low Duration Fund (LDF) Minimum suggested investment horizon: 6 months	These are low duration funds investing in debt and money market instruments such that the Macaulay Duration of the portfolio is between 6 months – 12 months. These funds invest in short-term debentures, bonds, money market instruments, government securities, floating rate debt instruments, etc.

Money Market Fund (MF) Minimum suggested investment horizon: 6 months	These are open ended debt scheme investing in money market instruments. These funds invest in money market instruments having maturity up to 1 year. The scheme will invest in money market instruments permitted by SEBI/RBI.
Short-Term Duration Fund (STDF) Minimum suggested investment horizon: 6 months	These are short-term debt fund schemes by mutual funds that seek to provide higher returns than ultra-short term bond funds and require longer investment horizons. These funds invest in short-term debentures, bonds, securitised obligations, money market instruments, government securities, floating rate debt instruments, etc. These funds usually show higher price volatility than liquid and ultra-short term funds. Some funds actively manage their investments to reduce interest rate risks.
Medium Duration Fund Minimum suggested investment horizon: 1 years	These are open ended medium term debt scheme investing in instruments with Macaulay duration between 3 years and 4 years. These funds invest in debt and money market instruments such that the Macaulay duration of the portfolio is between 3 years – 4 years. These funds invest in debt and money market instruments like corporate bonds, government securities, money market instruments, securitised debt, etc.
Medium to Long Duration Fund Minimum suggested investment horizon: 1 year	These are open ended medium debt scheme investing in instruments with Macaulay duration between 4 years and 7 years. These funds invest in debt and money market instruments such that the Macaulay duration of the portfolio is between 4 years – 7 years. These funds invest in debt and money market instruments like corporate bonds, government securities, money market instruments, securitised debt, etc.
Dynamic Bond Fund (DBF) Minimum suggested investment horizon: 1 year	Debt schemes that actively manage portfolio allocations across maturities in an attempt to minimise downside risk and optimise returns to investors. These funds invest in debt instruments like corporate bonds, government securities, money market instruments, securitised debt, etc. AMCs seek to manage interest rate risk in DBFs by actively investing in short, medium and long-term duration securities from time to time.
Long Duration Fund (LDF) Minimum suggested investment horizon: 1 year	These are open ended debt schemes investing in instruments with Macaulay duration greater than 7 years. These schemes invest in corporate bonds, government securities, money market instruments and securitised debt having Macaulay duration greater than 7 years. They carry higher interest rate risk than DBFs and STDFs as they invest in comparatively longer maturity debt instruments. AMCs seek to manage interest rate risk in LDFs by active duration management.
Corporate Bond Fund (CBF) Minimum ST suggested investment horizon: 1 year	These funds invest minimum 80% of total assets in corporate bonds (only in highest rated instruments).
Credit Risk Fund (CRF) Minimum suggested investment horizon: 1 year	An open ended debt scheme investing in below highest rated corporate bonds. Minimum investment in corporate bonds – 65% of total assets (investment in below highest rated instruments)
Banking and PSU Debt Fund Minimum suggested investment horizon: 1 year	An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions. Minimum investment in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions – 80% of total assets.
Fixed Maturity Plans (FMP) Closed-end scheme. As per scheme tenure	These are close-ended schemes with a defined tenure. The underlying investments are in debt securities which mature on or before the date of maturity of the scheme. Entry into such funds is available during limited subscription periods. On maturity, the invested amount (with return) will be returned to the investors and the scheme will close. FMPs have low interest rate risk on investments, since they are usually held to maturity by investors. But they also carry all the additional risks associated with investing in closed-ended schemes such as liquidity risk, credit risk etc., as explained above (risk section). These are suited for investors who have a clear investment horizon that matches the tenure of the FMP(s) and have no need for interim liquidity.

Government Securities Fund (G-Sec Funds) Minimum suggested investment horizon: 1 year	An open ended debt scheme investing in government securities across maturities. The scheme seeks to generate optimal returns with high liquidity by investing in Government Securities across maturities. Minimum investment in government securities and treasury bills/cash management bills across maturities – 0%-100% of total asset
Government Securities Fund with 10 year constant duration Minimum suggested investment horizon: 3 years	These are open ended debt scheme investing in government securities having constant maturity of 10 years. The minimum investment in G-secs-80% of total assets such that the Macaulay duration of the portfolio is equal to 10 years.
Floater Fund Minimum suggested investment horizon: 3 months	These are open ended debt scheme predominantly investing in floating rate instruments. The minimum investment in floating rate instruments – 65% of total assets.

Equity funds	
Diversified Equity Fund (DEF)	These schemes of mutual funds invest into a well-diversified portfolio of equity stocks. AMCs seek to generate superior risk adjusted returns through active management of their portfolios Large Cap funds • Such funds invest mostly into companies having a large market capitalisation. Large cap companies tend to be financially stable and are widely traded • Historically, such funds/stocks are perceived to be less volatile than mid and small capitalisation funds/companies Large and Mid cap Funds • Such funds invest in both large and mid cap companies as per their market capitalization • At all times minimum 35% of total fund asset will be invested large cap companies and mid cap companies Mid/Small-cap funds • Such funds invest into medium and small sized companies that are smaller than large cap companies in their market capitalisation • Historically, such funds/stocks tend to be more volatile than their large-cap counterparts especially, because they are less liquid than the former Flexible cap/Multi-cap funds • These funds seek to invest into stocks across market capitalisation i.e. large, mid and small caps • In this context, flexible cap/multicap funds seek to position themselves clearly, as funds that can invest into stocks independent of their market capitalisation • Flexible cap/multi-cap funds usually witness a mixed impact of market volatility over short-term periods given the diversity in their holdings ELSS Fund • An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit • Minimum investment in equity and equity related instruments - 80% of total assets (in accordance with Equity Linked Saving Scheme, 2005 notified by Ministry of Finance) Dividend Yield • An open ended equity scheme predominantly investing in dividend yielding stocks • Such funds may look to invest in companies with a consistent track record of paying dividends at the time of investment and companies with a dividend yield Value Fund • An open ended equity scheme following a value investment strategy • Scheme will follow a value investment strategy. Minimum investment in equity and equity related instruments – 65% of total assets Contra Fund • An open ended equity scheme following contrarian investment strategy • Minimum investment in equity and equity related instruments – 65% of total assets • A contra fund is distinguished from other funds by its style of investing. A contra fund takes a contrarian view of an asset, when it either witnesses exuberant demand or is not is demand at a particular point in time due to short-term triggers

	• The underlying assumption is that the asset will stabilize and come to its real value in the long term once the short-term concerns become irrelevant or are mitigated • A contra fund follows the below mentioned investment approach: - Preference for companies in a turnaround phase and trading below fundamental value - Growth companies which are available at attractive valuations Focused Fund • An open ended equity scheme investing in maximum 30 stocks • A scheme focused on the number of stocks (maximum 30). Minimum investment in equity and equity related instruments – 65% of total asset. Arbitrage Fund • An open ended scheme investing in arbitrage opportunities • Minimum investment in equity and equity related instruments – 65% of total assets. • Scheme follows arbitrage strategy - a strategy that takes advantage of a temporary price differential in the market by simultaneously buying in one market and selling in another
Minimum suggested investment horizon: 3 years	Equity Savings Fund • An open ended scheme investing in equity, arbitrage and debt • The fund aims to provide capital appreciation by investing in equity and equity related instruments, arbitrage opportunities and debt and money market instruments Environmental Social and Governance (ESG) Funds • ESG Investing is a term that is often used synonymously with sustainable investing, socially responsible investing, mission related investing, or screening. ESG refers to the Environmental, Social, and Governance practices while investing, which may have a material impact on the performance of investments. It is an investment discipline that takes into consideration environmental, social and governance risks and opportunities, and adopts progressive environmental, social and governance practices aiming to enhance value. • While there is an overlay of social consciousness, the main objective of ESG evaluation remains financial performance. • Under the ESG investing umbrella, the three common investor motivation or strategies are - Integration - Investing with a systematic and explicit inclusion of ESG risks and opportunities with the intention to enhance long term risk adjusted returns - Values - Investing in alignment with an organization or individual's moral values and beliefs - Impact - Investing with the intention to support positive social or environmental benefits alongside a financial return
Sector/Theme Funds (SF/TF) Minimum suggested investment horizon: 5 years	Such schemes of mutual funds invest into equity stocks of companies that belong to specific sectors or those that fulfill certain objectives. E. g. A banking fund tends to predominantly invest in banking stocks. AMCs seek to reduce the volatility associated with equity funds using active management of investments. SF/TF are generally seen to be more volatile than diversified equity funds, as the stocks in their portfolios are usually impacted by similar economic developments. ST/TF funds also historically have had more concentrated portfolios as their investment universe has been smaller.

Hybrid funds	
Conservative Hybrid Fund Minimum suggested investment horizon: 3 years	These are predominantly debt funds, historically seen to be investing between 75% – 90% into debt assets, with the balance being invested into equities. Investment in equity and equity related instruments between 10% and 25% of total assets. The debt portion of the portfolio is invested in debentures, bonds, securitised obligations, money market instruments, government securities, floating rate debt instruments, etc., while the equity portion is invested in equity shares across the market capitalisation range. Payout of dividend in these funds is subject to the discretion of the respective mutual fund houses.
Balanced Hybrid Fund Minimum suggested investment horizon: 3 years	These are open ended balanced scheme investing in equity and debt instruments. The fund will invest between 40% and 60% of total assets in equity and equity related instruments. The fund would also invest between 40% and 60% of total assets in debt instruments. These funds would not take any arbitrage exposures.
Aggressive Hybrid Fund Minimum suggested Investment horizon: 3 years	These funds attempt to provide a balanced exposure across debt and equity investments. These schemes tend to maintain 65% – 80% of their corpus in equities, while the remaining is in debt.

Dynamic Asset Allocation or Balanced Advantage Fund Minimum suggested investment horizon: 3 years	These are open ended dynamic asset allocation fund. The allocation to debt and equity instruments are managed dynamically.
Multi Asset Allocation Fund Minimum suggested investment horizon: 3 years	These are open ended scheme investment in three different asset classes. The fund manager can decide the three asset classes to invest. The fund at all times will have investment in at least three asset classes with a minimum allocation of at least 10% each in all three asset classes.
Domestic Fund of Funds Minimum suggested investment horizon: 3 years	As the name suggests such schemes invest in units of other mutual fund schemes in India. The combination of investments in the underlying schemes could be dynamic or static in nature. In some funds, the allocation between funds is automatically determined using pre-defined criteria. The movements in the Net Asset Value (NAV) of the underlying schemes will impact the performance of the Fund of Fund scheme. Any change in the investment policies or fundamental attributes of the underlying schemes will affect the performance of such schemes. To the extent the underlying debt and equity schemes invest in derivative instruments, such funds are exposed to the high risk, high return derivative instruments.
Offshore/International Funds Minimum suggested investment horizon: 3 years for diversified. 5 years for single country/thematic	Offshore funds are Fund of Funds schemes that take exposure to overseas markets by investing in units of global funds. These schemes could be country-specific (Brazil/US), region-specific (Emerging Markets/ASEAN) or Theme-specific (Gold, Agriculture, Energy, Mining, etc.) Redemptions from such funds usually take around 7-10 business days. Such Fund of Funds schemes are subject to currency risk i.e. returns to investors are the result of a combination of returns from investments and from movements in exchange rates. For example, if the INR appreciates vis-à-vis the International currency, the extent of appreciation may lead to reduction in the returns to the investor. In case the INR depreciates vis-à-vis the international currency, the extent of depreciation may lead to a corresponding increase in the returns to the investor. The performance of the offshore funds will be affected by a number of risk factors of the underlying geography including political, economic and social risks, country-specific risk, emerging markets risk, theme-specific risk, legal and regulatory risk, transaction procedures in overseas markets, and currency and repatriation risk. Emerging market offshore funds take exposure in markets that 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. The schemes may invest in unlisted securities, which in general are subject to greater price fluctuations, less liquidity and greater risk than those which are traded in an open market. In addition to the recurring expenses of the offshore scheme, the investor shall also bear the applicable expenses of the underlying global fund. The underlying global fund may use derivatives traded on recognised stock exchanges overseas for hedging and portfolio balancing purposes in connection with its investment strategies.
Gold Funds Minimum suggested investment horizon: 3 years Arbitrage Funds Minimum suggested investment horizon: 1 year	Gold funds are typically Fund of Funds scheme that invest in units of a Gold Exchange Traded Fund with an investment objective to provide returns that closely correspond to returns provided by a Gold Exchange Traded Fund (ETF). AMCs typically try to get cash on redemptions from the underlying fund. However, in case the underlying fund is unable to sell for any reason, and delivers physical gold, there could be a delay in payment of redemptions by the scheme. Gold funds are predominantly invested in Gold ETF and valued at the market price of the said units on the principal exchange. However, their performance may differ from the underlying due to market expectations, demand supply of the units, cash holdings, etc. Although the units of Gold ETF are listed on stock exchange, there can be no assurance that an active secondary market will develop or be maintained. Arbitrage fund is a type of mutual fund scheme that leverages the price differential in the cash and derivatives market to generate returns. The returns are dependent on the volatility of the asset. These Schemes are hybrid in nature as they have the provision of investing a sizeable portion of the portfolio in debt markets. The concept underlying arbitrage funds is buying something at a lower price in one market and selling it at a higher price in another market. Consider this scenario: A company's stock is trading at ₹1,000 in the cash market and at ₹1,500 in the futures market. So, ₹500 per share is the profit an investor can make by buying stock in the cash market and simultaneously selling it in the futures market.

Solution Oriented schemes and Other schemes	
Retirement Fund Minimum suggested investment horizon: 5 years	These are open ended retirement solution oriented scheme having a lock in of 5 years or till retirement age (whichever is earlier) These funds aim to provide capital appreciation and income to the investors which will help to achieve retirement goals by investing in a mix of securities comprising of equity, equity related instruments, fixed income securities and other securities
Children's Fund Minimum suggested investment horizon: 5 years	These are open ended fund for investment for children having a lock-in for at least 5 years or till the child attains age of majority (whichever is earlier). These funds aim to provide capital appreciation and income to the investors which will help to achieve retirement goals by investing in a mix of securities comprising of equity, equity related instruments, fixed income securities and other securities
Capital Protection Oriented Funds (CPOFs) Closed-ended scheme As per scheme tenure	CPOFs generate returns by investing in a portfolio of debt and money market securities which mature on or before the date of maturity of the scheme, and a portion of the portfolio in equity and equity related securities to achieve capital appreciation. CPOF portfolios are structured in a manner that the debt allocation of the portfolio will lead to orientation towards protection of capital at the time of maturity and equity allocation of the portfolio will provide upside over the face value. CPOF schemes are 'oriented towards protection of capital' and should not be confused with 'providing guaranteed returns'. The orientation towards protection of the capital originates from the portfolio structure of the scheme and not from any bank guarantee, insurance cover, etc. CPOF schemes may be unable to provide capital protection on maturity in certain circumstances such as, changes in government policies, interest rate movements in the market, credit defaults by bonds, expenses, reinvestment risks and risks associated with trading volumes, liquidity and settlement systems in equity and debt markets. No guarantee or assurance is given to investors that they will receive the capital protected value at maturity or any other returns.
Closed-ended Hybrid Funds Closed-ended scheme As per scheme tenure	These are close-ended schemes with a defined tenure. The underlying investments are usually in debt securities and in domestic equities or equity derivatives. However, some funds may also have exposure to commodities or to offshore equities. Entry into such funds is available during limited subscription periods. On maturity, the invested amount (with return) will be returned to the investors and the scheme will close. Closed-ended hybrid funds can be low, medium or high risk depending on the structure and asset allocation of the fund. Additionally, they also carry all the additional risks associated with investing in closed-ended schemes such as liquidity risk, credit risk etc., as explained above (risk section). These are suited for investors who have a clear investment horizon that matches the tenure of the fund and have no need for interim liquidity.
Index funds Open-ended scheme as per scheme tenure	These funds invest in equity/ and/or debt securities, as the case may be depending on the nature of the scheme, that form part of an index in the same proportion as that of the index. These schemes are passively managed as the fund manager does not take any subjective view on the equity/debt securities. As these are passively managed, expenses on such funds are lower than other equity/debt funds.

Do all mutual funds carry the same investment risks?

No, they do not. Some mutual funds have been designed for investors who are cautious, while others for investors who are aggressive in their outlook towards risk. There are also funds for investors having a balanced outlook towards risk. You therefore need to decide what level of investment risk you are willing to accept and then choose a mutual fund scheme, which matches your appetite for risk.

In order to ascertain the appropriateness of the investment based on one's own risk profile, HSBC Approved Fund list with Product Risk Rating document of the Bank (PRR) is available for reference for the various schemes of mutual fund distributed by the Bank. PRR document provides an internal risk score for each such scheme, determined by taking into account risk factors such as capital at risk, product complexity, price volatility, etc. The PRR document (HSBC's Approved Product List with Product Risk Rating – Investment Products) is available with your Relationship Manager and is also displayed on the Bank's website www.hsbc.co.in. For complete understanding about the risks associated with any specific scheme under consideration for investment, the investor should refer to the Scheme Specific Documents of the respective scheme.

In addition, Product Labelling of each scheme of mutual fund defined by the respective mutual funds house/Asset Management Company (AMC) as guided by SEBI circular No.: SEBI circular no. CIR/IMD/DF/5/2013 dated 18 March 2013, CIR/IMD/DF/4/2015 dated 30 April 2015 and SEBI/HO/IMD/DF3/CIR/P/2020/197 dated 05 October 2020 on Product Labelling in Mutual Funds. Product Labelling (Riskometer) is the process of labelling the schemes of mutual funds by the mutual fund houses, as required by the applicable SEBI regulations that would provide investors an easy understanding of the kind of product/scheme they are investing in and its suitability to them. The Riskometer is a pictorial representation of the principal at risk for any scheme.

How do I know which mutual fund scheme is right for me?

We will at all times endeavour to suggest a range of products that we feel is likely to be suitable and appropriate for you, based on your financial needs, risk profile, investment objectives and other information provided by you. After evaluating the above, we will help you identify products suitable to you. Investments (including mutual funds) and insurance products will be offered to you, as best suited to your risk profile and the upper ceiling of risk appetite. The decision to invest in products recommended by us will finally rest with you and we shall assist you in processing your transactions, based on your specific instructions. Where we have information to believe that a transaction or product is not appropriate for you based on your financial needs, risk profile and investment objective evaluation, we shall inform you of the unsuitability of the same. You may choose not to follow our recommendation and invest in a product of your choice, subject to the availability of that product with us.

What charges are involved?

Charges levied vary between different types of mutual fund schemes depending upon the type of underlying securities involved. Charges may also change from time to time based upon revision in regulatory guidelines. Following are the main types of charges that may be levied in relation to mutual funds.

- Initial charges – These expenses are incurred by the AMCs for the scheme(s) before/during its launch towards marketing, publicity, advertising, registrar's expenses, brokers'/agents' commission, etc. These expenses are adjusted with the NAV of the scheme.
- Total Expense Ratio (TER) – These are charges towards the annual management of the scheme, including investment management, marketing, investor communication, registrar's expenses and other expenses directly attributable to the scheme. These expenses are adjusted with the NAV of the fund
- Entry Load – In accordance with the requirements specified by the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated 30 June 2009, no entry load can be charged with respect to applications for purchase/additional purchase/switch-in accepted by the mutual fund house with effect from 1 August 2009. Similarly, no entry load can be charged with respect to applications for registrations under systematic investment plans/systematic transfer plans with effect from 1 August 2009
- Exit Charges/Exit Loads – Although described as a charge, this is a penalty for early redemption which is applied by the mutual fund. Exit charges vary from scheme to scheme and you have to refer the Scheme Specific Documents of the respective scheme before investing

All or any of the above charges may be applicable in relation to investment in mutual funds and are subject to change from time to time. For the exact details of charges applicable to any particular scheme of mutual fund in your consideration, please refer to the Scheme Specific Documents of the relevant mutual fund scheme and all relevant documents provided by the Bank

What is the effect of these charges?

The TER will have the effect of reducing the overall returns you receive either in the income or the capital growth you experience out of your investments. This TER is deducted from the overall value of the scheme, irrespective of whether the mutual fund scheme has made a profit or not. Therefore, deduction of the TER can also increase the loss the mutual fund scheme may have made.

The effect of an exit load (where applicable) will be to reduce the actual amount you receive on redemption of units of mutual fund schemes, which means you will receive less than the market value of the underlying investment. Such a charge acts as a deterrent to early redemption.

In case of redeeming and re-investing in schemes of the same mutual fund house, you may consider the 'Switch' option which is generally a cost-effective way to transact as there may be no need to pay the applicable exit load to the mutual fund. Furthermore, for a switch transaction within the same asset class of a mutual fund house, no mutual fund transaction charges are payable to

the Bank. Investors must read all Scheme Specific Documents to know switching charges and exit loads before investing, as the same may vary from one scheme to another.

When I invest what am I committing to?

When you invest, you are committing to invest at least the minimum amount of investment accepted for the mutual fund scheme. This varies from one mutual fund scheme to another. You also commit to have read and understood the terms of the scheme and all the risks associated with investing in it captured in the Scheme Specific Documents. With regard to close-ended mutual funds, you should be prepared to commit the funds for the complete tenure of the specific scheme. Any investment in mutual funds means that you are willing to take a degree of investment risk in return for the possible potential of superior returns, in the full knowledge that this outcome is not guaranteed and that it is possible that you could make a loss on your investment.

You should also consider carefully how much you want to commit to any one type of investment, as over exposure to any particular type of investment is not recommended.

Can I change my mind and redeem my investments at any time?

It would depend on the terms of the respective fund. In case of open-ended funds, you may redeem your investments at any time, however, exit load may be levied, subject to the terms of the Scheme Specific Documents of the respective scheme. A capital gains tax may also be applicable – you must consult your tax advisor prior to redemption. Also, if the price of the units has moved adversely, then you may also experience a capital loss. In case of close-ended funds, the schemes do not provide redemption facility until the date of maturity/final redemption date. However, as the units of these schemes may be listed on the stock exchange, investors who wish to exit/redeem before maturity may do so by undertaking a sale transaction through a SEBI registered stock broker. It must be noted that liquidity on exchange may not be readily available. You should also consider whether an early redemption would be in line with your investment objectives.

How do I keep track of my investment?

The Bank provides regular statements to enable you to track your investments. Additionally, the price of mutual fund units or NAV is easily available through a variety of sources including newspapers, the internet (at www.amfiindia.com), statements received from the AMC or direct enquiry to your Bank Relationship Manager.

What about tax?

You should refer to the Scheme Specific Documents for a detailed understanding of the tax consequences of both the scheme itself and any effect this will have on you personally. The Bank does not give tax advice and we propose that you consult your tax advisor for complete details on how that tax will affect you personally. The tax benefits and implications mentioned in any marketing material provided by the mutual fund house are as per currently applicable tax laws and are subject to change in future.

What other documents should I read?

This document is only a generic guide to the key features of mutual funds. You should not rely solely on it to make a decision to invest in mutual funds, but should also read the Scheme Specific Documents issued by the mutual fund house relating to the scheme you are considering.

What other information should I know before investing in mutual funds?

What if I have reason to complain?
If you feel that our service levels are not up to your expectations, our grievance redressal procedure is displayed on our website www. hsbc.co.in, and is available at all our branches. We will endeavour to resolve your complaint in line with the extant policies and framework of the Bank.

1. Mutual funds are subject to The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time.
2. Mutual funds and the underlying investments are subject to market risks and there is no guarantee, implied or otherwise, that the general objectives of the fund or any other specific performance targets will be achieved. In particular, investment returns, repayment of capital and the distribution of dividends or income are not guaranteed. Past performance of a fund is not an indication of future performance and the unit price (and distributions payable, if any) may go down as well as up. The unit price may fall below the purchase price resulting in capital erosion. The sponsor of the mutual fund is not responsible or liable for any loss resulting from the operation of the scheme beyond the initial contribution made by it towards setting up the fund.
3. The names of the scheme(s) do not, in any manner indicate the quality of the scheme(s) or their future prospects and/or returns.
4. The trustees of the mutual funds may at their sole discretion in response to unforeseen circumstances or unusual market conditions limit, the total number of units that may be redeemed on any business day. The limit will vary from mutual fund to mutual fund and from scheme to scheme. The trustees of mutual funds may, subject to the terms of SEBI (Mutual Fund) Regulations, 1996, decide to wind up certain schemes of mutual funds, which may restrict the rights of investors to further invest the scheme or redeem their holdings in the scheme. The sale or redemption of units may also be suspended temporarily or indefinitely under certain circumstances including: (a) if any stock exchange on which the fund's assets are invested, is closed otherwise than for ordinary holidays; (b) during periods of extreme volatility in underlying assets, which in the opinion of the mutual fund is prejudicial to the interests of investors; (c) natural calamity; (d) if directed by SEBI; (e) segregation of portfolio on account of downgrade or default of any underlying security; or (e) any other situation as may be specified in the Scheme Specific Documents of the specific mutual fund scheme.

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