HSBC

Generic Key Features Document for Third Party Portfolio Management Services

For Resident Indian and Non-Resident Indian customers (when present in India) of The Hongkong and Shanghai Banking Corporation Limited, India (HSBC India).

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 'HSBC India') to provide generic information to you (hereinafter also referred to as 'Customer,' 'Investor', 'you' or 'your') about third party Portfolio Management Services (hereinafter also referred to as 'PMS').

This document only provides general overview of PMS offerings in the market and associated key risk, and you must refer to the specific product/related documents, including the PMS Disclosure Document issued by the Portfolio Manager and the agreement between you and the Portfolio Manager for the specific PMS in your consideration ('**Product Specific Documents**') before investing.

Portfolio Management Services

Portfolio Management Services is offered by Portfolio Managers registered under Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as may be amended from time to time ('**PMS Regulations**'), wherein the Portfolio Manager manages a concentrated portfolio of equity, fixed income, cash and other securities, that can potentially be tailored to meet investment objectives of the portfolio. Unlike Mutual Funds, the ownership of securities held under the portfolio lies with the Customers. Customers who are looking for an alternative to direct equity generally consider investing in PMS.

PMS are of the following types:

- **Discretionary**: Under this Discretionary PMS, the portfolio is independently managed at the discretion of the Portfolio Manager in line with the agreed investment objective of the portfolio. The Customer has no intervention in the investment process.
- **Non-Discretionary**: Under Non-Discretionary PMS, the portfolio is managed by the Portfolio Manager at the discretion of the Customer. The Portfolio Manager may only suggest the investment ideas. The choice as well as the timings of the investment decisions rest solely with the Customer. The execution of the trade is done by the Portfolio Manage.

Key things you should know about PMS

- The minimum investment criteria to subscribe for PMS is ₹50 Lakhs
- Customers can invest in PMS by bringing in investible funds or through transferring existing securities held by the Customer, to constitute an 'Investible Portfolio'. The value of the portfolio transferred, including the investible funds and securities, should be above the minimum investment criteria
- The fees charged by the Portfolio Manager may include Entry Load, Fund Management Fees and Profit Sharing/Performance Linked Fee, Fixed Fee and Exit Load. Additionally, there are other charges which may include Custodian Fee, Demat Account opening charges, Audit charges and transaction brokerage. You are requested to read the Product Specific Documents for a detailed understanding of the fees, prior to investing
- Unlike Mutual Funds, each PMS account is in the name of the individual Customer and the tax treatment would be at the individual Customer level. The Portfolio Manager provides an audited statement at the end of the Financial Year giving details of transactions in the portfolio
- For termination of PMS, you may place a request with the Portfolio Manager and redeem your assets in stocks or cash as per your preference. On partial redemption/termination of PMS, an exit load and certain tax liabilities may be applicable to you
- <u>HSBC India does not give tax advice. You should consult your tax advisor for complete details of your tax implications on account of your investments in PMS</u>
- PMS should be considered only by those Customers who have knowledge and experience in similar products, aware of all investment risks associated with PMS investments and who have previously purchased/invested in similar products

Key risks associated with investing in PMS

An investment in a PMS is not a guaranteed investment, which means that the value of your investment may become lesser than what you had originally invested. The name of the PMS or Portfolio Manager does not in any manner indicate the prospects or returns. There are a number of risks (both general and specific) 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 the Product Specific Documents for a detailed understanding of the product and associated risks, prior to investing.

The key risks associated with investing in PMS are as follows:

- **Market risk**: Market Risk refers to the risk of losing principal funds resulting from the fluctuation in the market value of positions attributable to changes in market variables, such as interest rates, foreign exchange rates, equity prices or credit spreads. Market risk is a risk inherent to capital market exposures achieved through equities, bonds, etc. The performance of product may be affected by several factors, including, but not limited to, fluctuations and volatility in prices of equity and equity related securities resulting from corporate performance, macro-economic factors, changes in government policies and regulatory environment, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in the securities markets, 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**: Liquidity is a measure of how easily an investment can be converted to or from cash without experiencing significant losses of capital and/or income in the process or entry/exit barriers. Low trading volumes, settlement periods and transfer procedures may restrict the liquidity of the product's underlying investments. Transacting may become difficult due to extreme volatility in the market resulting in constriction in volumes. Lack of liquidity may result in the portfolio being hit by impact costs in cases where such securities are to be exited.
- **Concentration risk**: If the portfolio comprise of lower number of securities, it is subject to concentration risk. The Portfolio Manager may not be able to completely diversify away the unsystematic risk (company specific risk). Company specific risk will arise if a company is not able to achieve its expected earnings results, or that an unexpected change in the market or within the company will occur, both of which may adversely affect investment results. Concentration risk can potentially lead to outsized outcomes (losses or gains) relative to exposure that may impact overall portfolio performance.

Grievances relating to PMS

For any complaints or grievance in relation to the PMS opted by you, please reach out to the respective Portfolio Manager. If required, you can lodge your complaints against the Portfolio Manager on SEBI's centralised grievance redress system (SCORES) at https://scores.gov.in

This document is for reference only and does not constitute an endorsement from HSBC India that the PMS or the services provided by the Portfolio Manager are suitable for you. Kindly read and understand the contents of the Product Specific Documents prior to investing in any PMS product.

I/We have read this Generic Key Features Document and I/we understand the information provided herein and the risks associated with investing in PMS. Also, I have:

☐ Knowledge and investment experience of 5 years in PMS, Direct Equities and other securities

☐ Investment experience of at least 5 years in mutual funds and have knowledge of products/offerings like PMS, Direct Equities and other securities

Signature		
Customer Name		
Account Number		
Date		

IMPORTANT NOTICE:

Issued by The Hongkong and Shanghai Banking Corporation Limited, India, incorporated in Hong Kong SAR with limited liability, having its India corporate office at 52/60, M. G. Road, Fort, Mumbai - 400 001.

This publication has been issued by HSBC India, for the information of its Customers only. This publication does not constitute investment advice or an offer to sell, or a solicitation of an offer to purchase or subscribe for any investment. The information herein is derived from publicly available sources or third party sources that HSBC India considers reliable but which has not been independently verified. Whilst every care has been taken in compiling the information, HSBC India makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness and shall not be liable for damages arising out of the customer's reliance upon this information.

Expressions of opinion are those of HSBC India only and are subject to change without notice. Opinions expressed herein do not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this publication. Customers should seek financial, professional, investment and tax advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed in this publication and should understand that the views regarding future prospects may or may not be realized. Past performance is not indicative of future results.

This document is for circulation only in India. HSBC India does not distribute investment products to those persons who are either citizens or residents of the United States of America (USA), Canada, Australia, or New Zealand or any other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation. HSBC India makes no representations that the products mentioned in this document are available to persons residing outside India or are necessarily suitable for any particular person or appropriate in accordance with their local laws or regulations.

Among other things, this means that the disclosures set forth in this document may not conform to rules of the regulatory bodies of any other country and investment in the products discussed may not afford the protection offered by the local regulatory regime in any other country.

HSBC India or its affiliates or their officers, directors or employees may have investments in the products mentioned in this publication (or in any related products) and may from time to time, add to or dispose of any such investment. Moreover, HSBC India or its affiliates may perform or seek to perform investment banking or underwriting services for or relating to companies issuing the products mentioned herein and may also be represented in the supervisory board or any other committee of such companies.

Portfolio Management Services are not offered by HSBC India. If you are interested in availing of Portfolio Management Services, HSBC India refers you third party Portfolio Managers regulated and registered in India. HSBC India is merely acting as a facilitator by referring you to such Portfolio Managers upon your request, and the assistance provided by HSBC India shall not be considered as an advice/recommendation/ representation by HSBC India to avail Portfolio Management Services, regarding the Portfolio Manager, the services offered by Portfolio Manager or that the Portfolio Management Services are suitable for you. PMS products are subject to market risks and there is no guarantee, implied or otherwise, that the general objectives of the product or any other specific performance targets will be achieved. Investment valuations are subject to prevailing market conditions/external factors. Investment involves risk, and the value of investment may increase or decrease, and may become valueless. Certain investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Value and income from investments may be adversely affected by exchange rates, interest rates, or other factors. Please read the Product Specific Documents provided by the Portfolio Manager carefully and evaluate your suitability before investing.

Your decision to avail of Portfolio Management Services shall be at your own volition and risk.