

# HSBC MUTUAL FUND

## NOTICE

Notice is hereby given to the unitholders of the mutual fund schemes operated by HSBC Mutual Fund (“**HSBC MF Schemes**”) that HSBC Securities and Capital Markets (India) Private Limited (“**HSBC Sponsor**”), the sponsor of HSBC Mutual Fund, HSBC Asset Management (India) Private Limited (“**HSBC AMC**” or “**Purchaser**”), the asset management company of HSBC Mutual Fund, and the Board of Trustees of the HSBC Mutual Fund (“**HSBC Trustees**”) have entered into an agreement with L&T Investment Management Limited (“**L&T AMC**”) and L&T Mutual Fund Trustee Limited (“**L&T Trustee**”), the existing asset management company and trustee company of L&T Mutual Fund, respectively, and L&T Finance Holdings Limited (“**L&T Sponsor**”), the existing sponsor of the L&T Mutual Fund, which, inter alia, provides for: (i) a change in the sponsorship, trusteeship, management and administration of the schemes of L&T Mutual Fund (“**L&T MF Schemes**”) whereby the HSBC Sponsor will become the sponsor of the L&T MF Schemes, HSBC Trustees will become the trustee of the L&T MF Schemes and HSBC AMC will have the rights to manage, operate and administer the L&T MF Schemes as its asset management company; (ii) the merger/consolidation of identified L&T MF Schemes with identified HSBC MF Schemes or vice-versa; and (iii) the acquisition of the entire share capital of L&T Investment Management Limited by HSBC AMC and its nominees from L&T Finance Holdings Limited and its nominees (collectively, the “**Proposed Transaction**”).

### 1. BACKGROUND

- (a) HSBC Mutual Fund has been constituted as a trust by the trust deed dated 7 February 2002 (“**HSBC Trust Deed**”) in accordance with the provisions of the Indian Trusts Act, 1882, with the HSBC Sponsor as the sponsor of HSBC Mutual Fund and HSBC Trustees as the trustees of HSBC Mutual Fund. HSBC Mutual Fund has been duly registered with the Securities and Exchange Board of India (“**SEBI**”) under the SEBI (Mutual Funds) Regulations, 1996 (“**MF Regulations**”) on 27 May 2002 with the registration code MF/046/02/5. The Purchaser has been appointed as the asset management company (“**AMC**”) of HSBC Mutual Fund pursuant to an investment management agreement dated 7 February 2002 (as amended from time to time) between the Purchaser and HSBC Trustees.
- (b) L&T Mutual Fund was constituted as a trust by the trust deed dated 17 October 1996 (as amended from time to time) in accordance with the provisions of the Indian Trusts Act, 1882. The L&T Mutual Fund was registered with SEBI under the MF Regulations on 3 January 1997 with the registration number MF/035/97/9. L&T AMC was appointed as the AMC of L&T Mutual Fund pursuant to the L&T investment management agreement dated 23 October 1996 (as amended from time to time).
- (c) HSBC MF Schemes comprise of 26 schemes in operation as on 30 September 2022 with assets under management (“**AUM**”) of the HSBC MF Schemes amounting to ~INR 12,290.10 crores (including AUM under domestic fund of funds schemes) for the month ended 30 September 2022.
- (d) L&T MF Schemes comprise of 29 schemes in operation as on 30 September 2022 with AUM of the L&T MF Schemes amounting to approximately INR 72,322.38 crores for the month ended 30 September 2022.
- (e) We are pleased to inform you that SEBI has, pursuant to its letters (bearing no. SEBI/HO/IMD/IMD RAC2/P/OW/2022/51917/1 dated October 11, 2022 and bearing no. SEBI/HO/IMD/IMD RAC2/P/OW/2022/52480/1 dated October 14, 2022), given its no-objection to the aforesaid Proposed Transaction (“**SEBI Approval**”). The Proposed Transaction and the Changes to the Schemes (as described below) have also been approved by the respective board of directors of the L&T Trustee, the L&T AMC and the HSBC AMC and the HSBC Trustees.

### 2. APPROVAL OF UNITHOLDERS FOR AMENDMENTS TO THE HSBC TRUST DEED

In order to give effect to the Proposed Transaction, the HSBC Trust Deed will need to be amended to, inter alia, authorise the HSBC Trustees to transfer the schemes of another mutual fund to the HSBC Mutual Fund, merge such schemes with the existing schemes of the HSBC Mutual Fund or vice-versa, such that they form part of HSBC Mutual Fund, and authorize the HSBC Trustees to assume trusteeship of such schemes and also undertake certain other amendments necessary for operational convenience.

In accordance with the MF Regulations and the HSBC Trust Deed, the approval of the existing unitholders of the HSBC MF Schemes is being sought by way of a postal/electronic ballot process for the proposed amendments related to the operational convenience to the HSBC Trust Deed, in the manner indicated in the written communication/email sent to the unitholders (“**Exit Option Letter/Email to Unitholders**”).

The unitholders will be intimated the results of the ballot by way of a notice/advertisement in a newspaper.

### 3. DETAILS OF CHANGES TO THE SCHEMES

- A. On completion of the Proposed Transaction (“**Completion**”), HSBC Mutual Fund will have in its product suite, schemes that are similar in nature to the L&T MF Schemes. Therefore, in order to: (i) avoid the existence of two similar schemes; (ii) enable optimum utilization of resources; (iii) present to the unitholders of HSBC MF Schemes and L&T MF Schemes, a simplified range of schemes; and (iv) comply with SEBI’s scheme categorization circulars issued pursuant to the MF Regulations, it is proposed, in the interest of unitholders of HSBC MF Schemes and L&T MF Schemes, to carry out certain changes to the L&T MF Schemes by implementing changes in their fundamental attributes and by merging identified L&T MF Schemes with identified HSBC MF Schemes or vice-versa, as well as implementing changes in the fundamental attributes of identified HSBC MF Schemes.

- B. The proposed changes to the HSBC MF Schemes and L&T MF Schemes, pursuant to Completion (“**Changes to the Schemes**”) are briefly detailed as follows:

- (a) Merger/consolidation of HSBC MF Schemes and L&T MF Schemes in the manner set out below (“**Merger/Consolidation of Schemes**”), along with changes to their fundamental attributes:

S. No.	L&T MF Scheme or HSBC MF Scheme proposed to be merged (the “Transferor Scheme”)	HSBC MF Scheme or L&T MF Scheme with which Transferor Scheme is proposed to be merged (the “Transferee Scheme”)	Proposed New Name of the Transferee Scheme (the “Surviving Scheme”)
1.	HSBC Small Cap Equity Fund	L&T Emerging Businesses Fund	HSBC Small Cap Fund
2.	HSBC Infrastructure Equity Fund	L&T Infrastructure Fund	HSBC Infrastructure Fund
3.	HSBC Midcap Fund	L&T Midcap Fund	HSBC Midcap Fund
4.	HSBC Low Duration Fund	L&T Low Duration Fund	HSBC Low Duration Fund
5.	HSBC Corporate Bond Fund & HSBC Flexi Debt Fund	L&T Flexi Bond Fund	HSBC Dynamic Bond Fund
6.	HSBC Short Duration Fund	L&T Short Term Bond Fund	HSBC Short Duration Fund
7.	HSBC Equity Hybrid Fund	L&T Hybrid Equity Fund	HSBC Aggressive Hybrid Fund
8.	L&T India Large Cap Fund	HSBC Large Cap Equity Fund	HSBC Large Cap Fund
9.	L&T Flexicap Fund	HSBC Flexi Cap Fund	HSBC Flexi Cap Fund
10.	L&T Focused Equity Fund	HSBC Focused Equity Fund	HSBC Focused Fund
11.	L&T Large and Mid Cap Fund	HSBC Large & Mid Cap Equity Fund	HSBC Large & Mid Cap Fund
12.	L&T Liquid Fund	HSBC Cash Fund	HSBC Liquid Fund
13.	L&T Overnight Fund	HSBC Overnight Fund	HSBC Overnight Fund
14.	L&T Ultra Short Term Fund	HSBC Ultra Short Duration Fund	HSBC Ultra Short Duration Fund
15.	L&T Conservative Hybrid Fund	HSBC Regular Savings Fund	HSBC Conservative Hybrid Fund

Please note that post the Merger/Consolidation of Schemes, the Surviving Scheme will be the surviving scheme and the investment objective, investment pattern, and all the other provisions of the Surviving Scheme as contained in scheme information document, key information memorandum on the Effective Date (as defined below) will be effective for the unitholders of the Surviving Scheme.

- (b) It is also proposed that the following HSBC MF Scheme will undergo changes to its fundamental attributes.

S. No.	Asset Class	Category	Name of HSBC MF Scheme	Proposed New Name
1.	Debt	Medium to Long Duration	HSBC Debt Fund	HSBC Medium to Long Duration Fund

- (c) It is also proposed by L&T AMC and L&T Trustee that the following L&T MF Schemes will undergo changes to their fundamental attributes on Completion, and will form part of HSBC Mutual Fund on Completion reflecting changes in name of the L&T MF Schemes as set out below.

S. No.	Name of L&T MF Scheme proposed to be transferred	Scheme name post transfer to HSBC Mutual Fund
1.	L&T Resurgent India Bond Fund	HSBC Medium Duration Fund
2.	L&T Banking and PSU Debt Fund	HSBC Banking and PSU Debt Fund
3.	L&T Gilt Fund	HSBC Gilt Fund
4.	L&T Money Market Fund	HSBC Money Market Fund
5.	L&T Arbitrage Opportunities Fund	HSBC Arbitrage Fund
6.	L&T Equity Savings Fund	HSBC Equity Savings Fund
7.	L&T India Value Fund	HSBC Value Fund
8.	L&T Business Cycles Fund	HSBC Business Cycles Fund
9.	L&T Triple Ace Bond Fund	HSBC Corporate Bond Fund
10.	L&T Credit Risk Fund	HSBC Credit Risk Fund
11.	L&T Balanced Advantage Fund	HSBC Balanced Advantage Fund
12.	L&T Tax Advantage Fund	HSBC ELSS Fund

- (d) Following L&T MF Schemes will be carried over by HSBC Mutual Fund and there will be no change in character or features of these L&T MF Schemes except undergoing a change of name as detailed below.

S. No.	Name of L&T MF Scheme proposed to be transferred	Scheme name post transfer to HSBC Mutual Fund
1.	L&T Nifty 50 Index Fund	HSBC Nifty 50 Index Fund
2.	L&T Nifty Next 50 Index Fund	HSBC Nifty Next 50 Index Fund

- (e) HSBC Tax Saver Equity Fund, is an Equity Linked Savings Scheme (“**ELSS**”) held by HSBC Mutual Fund. As per ELSS guidelines, only one open-ended scheme would be permitted. In view of the restriction, we propose to stop the subscription into the HSBC Tax Saver Equity Fund from the Effective Date. No SIP, STP-in, or switch into the fund will be permitted post the Effective Date. However, unitholders will be permitted to redeem/switch their eligible units held for more than three years.
- C. The details of the Changes to the Schemes pursuant to the Proposed Transaction are provided in detail in the Exit Option Letter/Email to Unitholders.
- D. All proposed Changes to the Schemes as detailed above are subject to Completion and will come into effect from the close of business hours on the date of Completion (“**Effective Date**”).
- E. Prior to the date of Completion, HSBC AMC and L&T AMC will issue respective public notices informing the unitholders of the HSBC MF Schemes and the L&T MF Schemes about the Completion and the Effective Date.

### 4. CONSEQUENCES OF THE CHANGES TO THE SCHEMES

- (a) On the Effective Date, the Transferor Schemes will cease to exist and the unitholders of Transferor Schemes as at the close of business hours will be allotted units under the corresponding option of the respective Surviving Scheme at the last available applicable net asset value (“**NAV**”). Further, no fresh subscription including switch ins and registration of systematic investment plan (“**SIP**”) /Systematic Withdrawal Plan (“**SWP**”) /Systematic Transfer Plan (“**STP**”) / other special facilities will be accepted in the Transferor Schemes from the Effective Date.
- (b) In case of any pledge or lien or other encumbrance marked on any units in the Transferor Schemes, it shall be marked on the corresponding number of units allotted in the respective Surviving Schemes.

- (c) The investment objective, investment pattern, and all other provisions as contained in the scheme information document and key information memorandum of the Surviving Scheme as on Completion of the Proposed Transaction will be effective for the respective unitholders of the Transferor Schemes.
- (d) As per the proposed Changes to the Schemes, no new scheme will come into effect. A fresh account statement reflecting the new units allotted under the Surviving Schemes will be sent to the unitholders of the Transferor Schemes. Accordingly, all provisions under the scheme documents of the Surviving Schemes will apply including the provisions on exit load. The period of holding for the purpose of exit load will be computed from the date of allotment of such units in such Transferor Scheme(s).
- (e) SIP/SWP/STP registered in the Transferor Scheme will continue under the respective Surviving Scheme, subsequent to the Merger/Consolidation of Schemes. Unitholders who do not wish to continue the SIP/SWP/STP in the Surviving Schemes will be permitted to apply for cancellation of their SIP/SWP/STP registration.
- (f) As per the proposed Merger/Consolidation of Schemes as set out above, details relating to changes in the investment objective, investment pattern, etc. in the Surviving Schemes are provided in the Exit Option Letter/Email to Unitholders.

### 5. EXIT OPTION

As per Regulation 18(15A) of the MF Regulations, changes in fundamental attributes of a scheme can be carried out only after the unitholders of the concerned scheme have been informed of the change by way of a written communication and an option to exit the scheme within a period of 30 (thirty) days at the prevailing NAV without any exit load is provided to them.

Accordingly, this Notice serves as a communication to the Unitholders (under Regulations 18(15A) of the MF Regulations) of the changes to the HSBC MF Schemes as set out in paragraph 3(B)(a) above and the HSBC MF Scheme referred to in paragraph 3(B)(b) above (the “**Relevant Unitholders**”) and the Relevant Unitholders who do not agree to the changes to the HSBC MF Schemes are given an option to exit without any exit load.

- (a) The Relevant Unitholders who do not consent to the changes to the HSBC MF Schemes, are provided an option to exit their investment from the Transferor Scheme / Transferee Scheme (as the case maybe) (in case of HSBC MF Schemes set out in paragraph 3(B)(a)) and the HSBC MF Scheme (in case of HSBC MF Scheme set out in paragraph 3(B)(b)) at the prevailing NAV without any exit load (“**Exit Option**”), for a period of atleast 30 (thirty) days from 21 October 2022 and 21 November 2022 (both days inclusive) (the “**Exit Option Period**”). However, for investments made during the Exit Option Period, there will be no waiver of exit load. The NAV applicable, for the Relevant Unitholders who choose to exercise the Exit Option would be based on the date/time of receipt of redemption/switch request during business hours on a business day. The Exit Option can be exercised from 21 October 2022 and 21 November 2022 both days inclusive and up to 3.00 pm on 21 November 2022), by submitting the redemption/switch request, in the manner as set out in the Exit Option Letter/Email to Unitholders at any of the HSBC AMC / Computer Age Management Services Ltd. (“**Registrar**”) branches or through electronic modes such as HSBC Mutual Fund’s website (<https://invest.assetmanagement.hsbc.co.in>) or website of the Registrar (<https://www.camsonline.com>). Additionally, website/mobile application of MFUI shall be eligible to be considered as ‘official points of acceptance’ for all financial and non-financial transactions in the schemes of HSBC Mutual Fund electronically. For further information, kindly refer to the website of MFUI (<https://www.mfindia.com/>).
- (b) The Relevant Unitholders who have registered for SIP, SWP or STP in the Transferor Scheme and/or Transferee Scheme and who do not wish to continue their future investments/installment in the respective schemes are required to provide a written request to the HSBC Mutual Fund and it will take at least 21 calendar days to process such requests. Intervening installments will continue to be processed.
- (c) The Relevant Unitholders should ensure that change in address / pay-out bank details, if any required by them, are updated in HSBC Mutual Fund’s records before exercising the Exit Option. The Relevant Unitholders holding units in dematerialised form may approach their depository participant for such changes.
- (d) It is mandatory to update Know Your Customer (KYC)/ PAN in the folio for processing of transactions, therefore, the Relevant Unitholders are requested to ensure that PAN and other KYC details is updated in the folio at the time of exercising the Exit Option.
- (e) The redemption proceeds will be remitted / dispatched to the Relevant Unitholders within 10 (ten) business days from the date of receipt of the redemption request.
- (f) The Relevant Unitholders who have pledged or encumbered their units will not have the option to exit unless they procure a release of their pledges prior to the expiry of the Exit Period and communicate such release to the HSBC AMC / Registrar’s branches before applying for redemption/switch. In case units have been frozen/locked pursuant to an order of a government authority or a court or pursuant to a regulatory requirement, such exit option can be executed only after the freeze/lock order is vacated on receipt of valid redemption request to those Relevant Unitholders who choose to exercise their Exit Option.
- (g) In accordance with Notice – cum – Addendum dated 14 February 2020 on process for investment made in the name of a minor through a guardian, unitholders are requested to review the bank account registered in the folio and ensure that, at the time of exercising the Exit Option, the registered bank mandate is in the name of the minor or minor jointly with registered guardian in the folio. In case this requirement is not complied with, redemption payout shall not be processed till the time bank account details are updated as above.
- (h) The Relevant Unitholders who do not exercise the Exit Option would be deemed to have consented to the Changes to the Schemes.

**Kindly note that an offer to exit from HSBC MF Schemes is merely optional and is not compulsory. If you are agreeable to the proposed changes, no action needs to be taken by you and it would be deemed that you have consented to the same.**

For your better understanding, an illustration regarding the basis of allotment of new units is given below:

Example

The Transferor Scheme will cease to exist post business hours on the Effective Date. The unitholders of the Transferor Scheme as at the close of business hours on this date will be allotted units, equivalent to the value of their units in the Transferor Scheme under the corresponding option of the Surviving Scheme at the NAV of this day.

NAV of Transferor scheme – Growth Option prior to merger (INR per unit)	a	20.00
Units held in Transferor scheme prior to merger	b	100.00
Investment Value in Transferor scheme prior to merger (c=a*b) (INR)	c	2,000.00
NAV of Transferee Scheme – Growth Option on the date of merger (INR per unit)	d	15.00
Number of units allotted in Transferee Scheme on the date of merger (e=c/d)	e	133.3333
Investment Value in Transferee Scheme – Growth, post-merger (f=d*e) (INR)	f	2,000.00

Please note that the aforesaid is only an illustration and the actual number of units to be allotted under the Surviving Scheme will be determined by the value of units held in the Transferor Scheme and the NAVs of the Transferor Scheme and the Transferee Scheme on the Effective Date. The impact of tax on capital gains and levy of stamp duty charges, if any, has not been considered in the above illustration.

### 6. TAX CONSEQUENCES

- (a) There should not be any income-tax implications due to the Merger/Consolidation of Schemes in the hands of unitholders since merger/consolidation of mutual fund schemes is considered as a tax neutral event. Transfer of units upon consolidation of mutual fund schemes of two or more schemes of equity-oriented fund or two or more schemes of a mutual fund other than equity oriented fund in accordance with the MF Regulations is exempt from capital gains i.e., any transfer of units of consolidating scheme of a mutual fund, made in consideration of the allotment of the units of the consolidated scheme by the unitholder is not considered as “transfer” by virtue of the provisions of Section 47(xviii) of the Income-tax Act, 1961 (the “**IT Act**”) and hence the gains on such transfer should not be chargeable to tax.
- (b) For any redemption/switch transactions post the Merger/Consolidation of Schemes, the following points are relevant for taxation (held as capital asset):
- For the purpose of classifying the units of consolidated scheme into long term or short term, the period of holding of units acquired in the consolidation of schemes of mutual fund shall include the period for which units in consolidating schemes were held by the unitholder in terms of the provisions of Section 2(42A) of the IT Act.
  - Further, Section 49(2AD) of the IT Act provides that the cost of acquisition of the units acquired in the consolidated scheme of mutual fund (in consideration of allotment of units of consolidating scheme) shall be deemed to be the cost of acquisition of the units in the consolidating scheme of mutual fund.
- (c) However, redemption and/or switch of units from the relevant HSBC MF Scheme during the Exit Option Period shall be considered as redemption and will result in short term/long term capital gain/loss in the hands of the unitholders depending on the period of holding of the investment.
- (d) In case of NRI unitholders, TDS would be deducted in accordance with applicable tax laws for redemption/switch-out of units from the Transferor Scheme during the Exit Option Period and same would be required to be borne by such unitholder only.
- (e) Securities Transaction Tax (“**STT**”) on redemption / switch-out of units, if any, exercised during the Exit Option Period in the relevant HSBC MF Scheme shall be borne by HSBC AMC.
- (f) Stamp duty shall not be levied on the units allotted under the Surviving Scheme, upon the Merger/Consolidation of Schemes.
- (g) STT on extinguishment of units (if applicable) under the Transferor Scheme and allotment under the Surviving Scheme upon the Merger/Consolidation of Schemes, would not be levied to the unitholders.

In view of the individual nature of tax consequences, unitholders are advised to consult the professional financial/tax advisors with regard to tax and other financial implications arising out of their participation in Merger/Consolidation of Schemes.

### 7. COMMUNICATION TO UNITHOLDERS

A detailed communication of the Proposed Transaction and changes consequent to the Proposed Transaction would be sent to the registered address of the unitholders as on 15 October 2022 or on email where the email ID is registered. In case, the communication is not received, the unitholders can contact the Investor Service Centers of HSBC AMC to obtain the same.

**For further information/assistance do visit us at the nearest Investor Service Centres, details of which have been provided in Exhibit 1 of the Exit Option Letter/Email to Unitholders and also available on our website at <https://www.assetmanagement.hsbc.co.in/> or e-mail us at [hsbcmf@camsonline.com](mailto:hsbcmf@camsonline.com) or call on our Toll Free numbers 1800 200 2434 / 1800-258-2434. Unitholders calling from abroad may call on +91 44 39923900 to connect to our customer care centre.**

This Notice shall form an integral part of the Scheme Related Documents such as Scheme Information Documents / Key Information Memoranda of the HSBC MF Schemes and the Statement of Additional Information of HSBC Mutual Fund as amended from time to time.

We thank you for investing with us.

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

Sd/-

**Authorised Signatory**

**Mumbai, 14 October, 2022**



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

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