

HSBC Arbitrage Fund

An open ended scheme investing in arbitrage opportunities

April 29, 2026



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About HSBC Arbitrage Fund

- Enters into simultaneous transactions of a long position in cash and exactly offsetting short position in futures.
- Equity position is completely hedged at trade initiation.
- Towards the expiry or before the expiry of the derivatives contract, the positions are reversed or rolled over.

Market Actions & Overview

- The average roll spreads captured this month was 7.30% annualized.
- Allocation towards hedged equities is at 71.61.
- Before start of roll week roll spreads were at 60-61 bps. During the rollover week levels were stable at 55-56 bps levels but dropped to 50 bps by the end of week.
- The rolls closed back at 55-56 bps levels in the second half of the expiry day with some good volumes.
- NSE NIFTY increased 7.5% in Apr'26 (MTD) – after decreasing by 11.3% in Mar'26.
- This month to date, FIIs have sold equities more than \$6 bn. In Mar'26 FIIs sold \$14.2 bn in cash.
- AUM of Arbitrage Funds increased compared to previous expiry (Rs 3,28,842 crs vs Rs 3,16,136 crs).
- This month median roll basis was lower than previous expiry, 56 bps vs 59 bps previous month.

Market Movements (Domestically)

- Markets saw a sharp recovery this month with the pace of FII selling reducing.
- Goods trade deficit reduced to \$21 bn (vs \$27 bn in Feb-26) and was much lower than estimated (est: \$28 bn).
- The fall was primarily due to a steep decline in gold (\$3.1 bn; -59% MoM) and silver (\$0.6 bn; -63% MoM) imports, with prices falling heavily due to the Middle East conflict.
- Headline CPI inflation rose to 3.4% in Mar-26 (prior: 3.21%), with food inflation picking up further to 3.86% YoY (prior: 3.47%), as favorable base effects fade. Monthly momentum picked up to 0.3% MoM (prior: 0.1%).
- RBI expectedly held rates on 08 Apr (at 5.25%) with a neutral stance and cautious tone, flagging prolonged ME conflict could transmit supply shocks into demand pressures.
- The outlook now appears unbalanced – growth risks skewed to the downside (FY27: 6.9%) and inflation risks to the upside (4.6%), lending a mild stagflationary bias.

Inception Date

30th June 2014

Benchmark¹

Nifty 50 Arbitrage Index

Minimum Inv. Amount

Rs. 5,000 & in multiples of Re. 1/- thereafter

Additional Inv. Amount

Rs. 1,000 & in multiples of Re. 1/- thereafter

Exit Load

- Any redemption / switch-out of units on or before 1 month from the date of allotment: 0.25%
- If units are redeemed or switched out after 1 Month from the date of allotment: NIL

Plans & Options

Regular & Direct Plans

Growth & IDCW[^]

Monthly & Quarterly

(Payout & Re-investment)

[^]refer note on slide 5

Fund Managers²

For Arbitrage Portfolio

Praveen Ayathan

For Debt Portfolio

Mahesh Chhabria

Mohd. Asif Rizwi

¹As per clause 7.22 of the SEBI Master Circular for Mutual Funds no. HO/24/13/11(1)2026-IMD-POD-1/1/7602/2026 dated March 20, 2026., on Benchmarks for Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark. Furthermore, the same is effective from 01 December 2021.

²Fund Manager -Praveen Ayathan - Effective date 30 Jun 2014. Fund Manager -Mahesh Chhabria - Effective date 15 Jul 2023. Fund Manager - Mohd Asif Rizwi - Effective date - 01 Feb 2025.

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Global Markets

- Global equity markets around the world have been bullish this month.
- The FED is expected to keep its overnight rate unchanged at the conclusion of its policy meeting on April 28-29, which could also be Jerome Powell’s last as Fed chair.
- FOMC minutes - from the March 17-18 meeting - released on 08 April sprung no surprise, though, the consensus seems to be emerging that the move to the 2% inflation target would be slower than expected and risk of inflation running persistently above the Committee’s objective has increased.
- In the US, consumer prices spiked in March as the Iran war sent energy costs soaring and took the Federal Reserve further from its inflation target.
- The CPI increased a seasonally adjusted 0.9% for the month, putting the annual inflation rate at 3.3%, pushed by a 10.9% surge in energy costs. Both numbers were in line with the Dow Jones consensus. The annual rate was the highest since April 2024 and up from 2.4% in February.
- In the US, all the 3 three major indices are trading positive this month (MTD) – NASDAQ having increased the most, by 14%.
- US10YR was trading higher as compared to the previous month 4.35 % vs 4.31% (Mar’26).
- US Dollar Index decreased compared to last month: 98.6 vs 99.9 (Mar’26).
- Crude prices were very volatile this month and dropped as low as \$86/bbl on 17 Apr from \$118/bbl seen on 31 Mar, however settled at \$104.7/bbl.

The below table indicates the approximate average spread of arbitrage position and does not in any manner indicates any return potential of the scheme. Investors should not consider below as investment advice or recommendation. Past performance may or may not be sustained in future.

Series (Month)	~ Roll Spreads (Annualised)
Apr '26	7.30%
Mar '26	7.39%
Feb'26	6.77%
Jan' 26	6.91%
Dec'25	8.39%
Nov'25	7.10%
Oct'25	7.43%
Sep'25	6.96%
Aug'25	6.31%
July'25	6.92%
June'25	6.59%
May'25	7.23%

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Key triggers for May series

- Results of West Bengal, Kerala, Tamil Nadu
- Developments around war, Oil and other commodity prices
- US FOMC outcome on 29th April
- Remainder of Q4 result updates
- Commentary on Monsoon predictions



Fund Positioning & Strategy

- The fund has exposure in companies where the fund manager believes, dividend arbitrage opportunities can exist.
- The rest is invested in schemes of HSBC Mutual Fund, G-Secs/ TBILLs and CP/CD's (including for Margin Placements). The debt portion is actively managed but has a conservative maturity profile and a high quality focus: AAA/Sovereign/A1+ portfolio and no exposure to any low rated Debt Instruments or any Perpetual Bonds as on April 29, 2026.

Disclaimer & Product Labelling

April 29, 2026

HSBC Arbitrage Fund

<p>HSBC Arbitrage Fund</p>  <p>The risk of the scheme is Low Risk</p>	<p>Arbitrage Fund - An open ended scheme investing in arbitrage opportunities.</p> <p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> • Generation of reasonable returns over short to medium term • Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instruments <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	<p>Benchmark: Nifty 50 Arbitrage Index</p>  <p>The risk of the benchmark is Low Risk</p>
<p>Riskometer is as on 31 March 2026,</p> <p>Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of the particular Scheme.</p>		

Source: Bloomberg, MOSL & HSBC MF estimates as on 31 March 2026 end or as latest available

[^]Note: IDCW stands for 'Income Distribution cum Capital Withdrawal option'. The amounts can be distributed out of investors' capital (Equalization Reserve), which is part of the sale price that represents realized gains, as may be declared by the Trustees at its discretion from time to time (subject to the availability of distributable surplus as calculated in accordance with the Regulations).

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The details pertaining to Benchmark & Scheme Risk-o-meter is as on 31 March 2026.

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