

## Product Note

### HSBC Arbitrage Fund (HATF)

Arbitrage - An open ended scheme investing in arbitrage opportunities.  
(Formerly known as L&T Arbitrage Opportunities Fund)

August 2023

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date	AUM
Arbitrage Fund	Praveen Ayathan and Mahesh Chhabria	Nifty 50 Arbitrage Index	30 June 2014	Rs. 1795.44 Cr

Portfolio	% of net assets
ICICI Bank Limited	5.30%
Zee Entertainment Enterprises Limited	4.09%
Tata Power Company Limited	4.08%
HDFC Bank Limited	3.36%
Bosch Limited	3.22%
Indus Towers Limited	2.99%
LIC Housing Finance Limited	2.93%
UltraTech Cement Limited	2.46%
REC Limited	2.22%
Havells India Limited	1.91%

Sector - Allocation	% of net assets
Banks	13.86%
Mutual Fund	11.47%
Government Securities	11.30%
Finance	10.09%
Cement & Cement Products	5.49%
Pharmaceuticals & Biotechnology	5.32%
Auto Components	4.53%
Power	4.18%
Entertainment	4.09%
Chemicals & Petrochemicals	3.04%

Arbitrage in simple terms means taking advantage of price differential between different markets for the same commodity. In financial markets, this translates into entering into trading positions in the same security through different market segments.

### Fund Strategy

- HSBC Arbitrage Fund managing AUM of Rs.1795.44 Cr. as on July 31, 2023
- Currently, allocation towards hedged equities or cash futures arbitrage is at ~66% with a tilt towards Large caps. The fund in the current series as well have exposure in companies where the fund managers believes, dividend arbitrage opportunities exists.
- The rest is invested in Liquid Fund, G-Secs and Bank FDs (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.

### Why HSBC Arbitrage Fund?

- Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instruments
- Aim to provide reasonable liquidity and risk adjusted performance to suit the investor's requirements
- Maintains optimum allocation across arbitrage instruments
- Aims to generate opportunity of reasonable returns over short to medium term

<sup>1</sup> As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, on 'Guiding Principles for bringing uniformity in Benchmarks of 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 effective from 01 December 2021.

Data as on 31 July 2023

## Investment Objective

The investment objective of the Scheme is to seek to generate reasonable returns by predominantly investing in arbitrage opportunities in the cash and derivatives segments of the equity markets and by investing balance in debt and money market instruments. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.

## HSBC Arbitrage Fund philosophy

- To enters into simultaneous transactions of a long position in cash and exactly off-setting short position in futures.
- Equity position completely hedged at trade initiation as on 31 July '23.
- Towards the expiry or before the expiry of the derivatives contract, the positions are reversed or rolled over.

Note : Fund Manager manages the Fund as per prevailing Market condition. The above philosophy shall not be treated as investment strategy which is subject to Market condition at a given point of time.

Load / Month End Total Expenses Ratios (Annualized) <sup>1</sup>	
Entry Load	NA
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 (Effective date: August 01, 2023)	
Expense ratio (Other than Direct) <sup>2</sup>	0.94%
Expense ratio (Direct)	0.27%

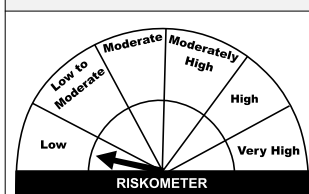
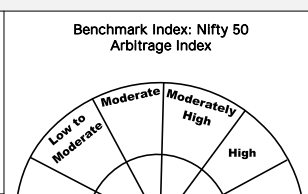
<sup>1</sup> TER Annualized TER including GST on Investment Management Fees

<sup>2</sup> Continuing plans

Note - Sonal Gupta shall be dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund.

## Product Label

### HSBC Arbitrage Fund (Erstwhile L&T Arbitrage Opportunities Fund)

 <p>Investors understand that their principal will be at Low risk</p>	<p><b>Arbitrage Fund</b> – An open ended scheme investing in arbitrage opportunities.</p> <p><b>This product is suitable for investors who are seeking*:</b></p> <ul style="list-style-type: none"> <li>• Generation of reasonable returns over short to medium term</li> <li>• Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instrument.</li> </ul> <p>* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	<p>Benchmark Index: Nifty 50 Arbitrage Index</p> 
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**Note on Risk-o-meters:** Riskometer is as on 31 July 2023, 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 that particular scheme

Past performance may or may not be sustained in the future. Source: HSBC Mutual Fund, Data as on 31 July 2023

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