

Product Note

HSBC Arbitrage Fund (HATF)

Arbitrage - An open ended scheme investing in arbitrage opportunities. November 2023

Fund Category	Fund Manager	Benchmark ¹		Inception Date	AUM ^{&}
Arbitrage Fund	Praveen Ayathan, Hitesh Gondhia [@] and Mahesh Chhabria	Nifty 50 Arbitrage Index		30 June 2014	Rs. 1766.06 Cr
Portfolio	% to net assets		Sector - Allocation		% to net assets
Reliance Industries Limited		% Banks			14.55%
HDFC Bank Limited		% Government Securities		Securities	13.94%
Tata Power Company Limited3.22		%	Petroleum Products		9.38%
Bharat Forge Limited 2.5		%	Internal - Mutual Fund Units		7.49%
Canara Bank 2.3		%	Finance		7.18%
Wipro Limited 2.		%	Pharmaceuticals & Biotechnology		3.80%
Bharat Petroleum Corporation Limited 2.01		%	Reverse Repos/TREPS		3.43%
Shriram Finance Limited 1.8		%	Power		3.22%
Manappuram Finance Limited 1.75		%	6 Aerospace & Defense		3.14%
Indian Energy Exchange Limited 1.64		% Industrial Products			2.81%

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

- Currently, allocation towards hedged equities or cash futures arbitrage is at ~73%.
- The fund aims to 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.

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.

Entry Load*: Not Applicable, Exit Load: On and before 1 month from the date of allotment or Purchase applying First in First out basis : 0.5%. After 1 month from the date of allotment or purchase : NIL * In terms of 10.4.1.a. of SEBI Master Circular on Mutual Funds dated May 19, 2023, no entry load will be charged to the investor. Month End Total Expenses Ratios (Annualized)² – Regular³: 0.94%, Direct: 0.27%

⁸For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website: <u>https://www.assetmanagement.hsbc.co.in/en/mutual-funds/investor-resources/information-</u>

Source – HSBC Mutual Fund, Data as of 31 October 2023. Past performance may or may not be sustained in the future and is not indicative of future results. Note : Please refer to Scheme Information Document for more details on Asset Allocation of the scheme.

¹ 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.

² TER Annualized TER including GST on Investment Management Fees

³ Continuing plans

[@] Managing since October 01, 2023. Please refer notice cum addendum dated September 29, 2023.

Note: The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s).

HSBC Arbitrage Fund philosophy

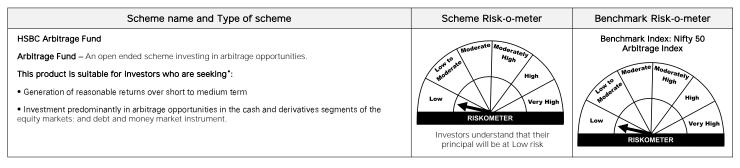
- To enters into simultaneous transactions of a long position in cash and exactly off-setting short position in futures.
- Towards the expiry or before the expiry of the derivatives contract, the positions are reversed or rolled over.

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.

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

Product Label



* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note on Risk-o-meters: Riskometer is as on 31 October 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

Note : Please refer to Scheme Information Document for more details on Asset Allocation of the scheme.

Past performance may or may not be sustained in the future and is not indicative of future results. Source: HSBC Mutual Fund, data as on 31 October 2023

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

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