

Product Note

HSBC Arbitrage Fund (HATF)

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

February 2023

Fund Category	Fund Manager	Benchmark	Inception Date	AUM
Arbitrage	Ritesh Jain and Praveen Ayathan	Nifty 50 Arbitrage Index	30 June 2014	Rs. 2355.89 Cr

Portfolio	% of net assets
Kotak Mahindra Bank Limited	5.90%
ICICI Bank Limited	4.16%
Bajaj Finance Limited	3.73%
Tata Power Company Limited	3.48%
Ambuja Cements Limited	3.32%
Power Finance Corporation Limited	2.77%
Adani Ports and Special Economic Zone Limited	2.63%
Reliance Industries Limited	2.51%
Trent Limited	2.35%
Zee Entertainment Enterprises Limited	2.34%

Sector - Allocation	% of net assets
Banks	17.70%
Government Securities	16.54%
Finance	14.01%
Mutual Fund Units	6.41%
Cement and Cement Products	3.98%
Power	3.48%
Retailing	3.27%
Petroleum Products	3.22%
Aerospace and Defense	2.97%
Transport Infrastructure	2.63%

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 is Rs.2454 cr.
- 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.

Product Note

Data as on 31st January, 2023 unless otherwise given

The fund has undergone merger/consolidation along with changes to its fundamental attributes as per the notice published on 15 Oct '22. For more details visit our website page - <https://www.assetmanagement.hsbc.co.in/en/mutual-funds/acquisition-of-lt-mutual-fund>.

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
- Ensure reasonable liquidity and better risk adjusted performance to suit the investor's requirements
- Maintains optimum allocation across arbitrage instruments
- Aims to generate of reasonable returns over short to medium term

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.

Load / Expenses	
Entry Load	NA
Exit Load - NIL (after 1 year), 1% (before 1 year) ¹	
Expense ratio (Other than Direct) ²	0.96%
Expense ratio (Direct)	0.29%


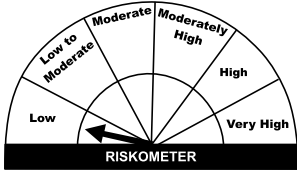
¹ Exit Load - If the units redeemed or switched out are upto 10% of the units purchased or switched in ("the limit") within 1 year from the date of allotment - Nil

• If units redeemed or switched out are over and above the limit within 1 year from the date of allotment - 1% • If units are redeemed or switched out on or after 1 year from the date of allotment – Nil

² 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>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 instrument. <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> 

Note on Risk-o-meters: Riskometer is as on 31 Jan 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 Asset Management India, data as at 31 Jan 2023

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