

HSBC Arbitrage Fund

An open ended scheme investing in arbitrage opportunities

July 01, 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 7.41% annualized.
- Allocation towards hedged equities is at 68.01%.
- No duration or credit risk is taken on the debt side and that will pull down the final returns a bit.
- The mid-month roll levels were at 62bps.
- The rolls dropped by the start of rollover week.
- Final days of the rolls saw 50-52bps levels although the fresh arbitrage levels saw a jump on a day prior to expiry due to Index rebalancing.
- NIFTY increased 1.3% in Jun'26 (MTD) – after decreasing by 1.9% in May'26.
- This month to date, FII's have sold equities worth \$3.1bn.
- In May'26 FII's sold close to \$5bn in cash.
- AUM of Arbitrage funds increased compared to previous expiry (Rs.3,45,187 Crs Vs Rs.3,36,048 Crs).
- This month average roll basis was lower than previous expiry, 56.82bps Vs 63.55bps previous month

Market Movements (Domestically)

- Domestic markets were positive this month.
- This month RBI transferred a record dividend of Rs2.87trn to the government for FY26 (FY25: Rs2.67trn; 7% YoY).
- RBI held rates unchanged, though, it noted stagflationary conditions, along with worsening external environment.
- Headline CPI inflation ticked up to 3.93% in May-26 (prior: 3.48%; est: 4.06%), with food inflation rising further to 4.78% YoY (prior: 4.2%).
- There was a sharp uptick in monthly momentum to 0.75% MoM (prior: 0.3% MoM).
- INDIA Q4 GDP came surprisingly higher at 7.8% (vs estimated 7.4%), taking the full year GDP growth to 7.7% and nominal GDP growth of 8.9%.
- Q4 surprise was led by strong growth in Services (9.9%), even though, Industry growth slowed to 7.3% (vs 9.5% in Q3) on slower Manufacturing growth (7.3% vs 12.8% in Q3).
- With crude prices stabilizing and positivity around FPI flows, going forward volatility in the markets will likely decrease.

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 dated March 20, 2026 on Benchmarks for Mutual Fund Schemes' has two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark.

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 mixed this month.
- In the US, inflation has re-ignited. Headline CPI rose 4.2% YoY in May 2026 (vs. 3.8% in April), with the energy index alone accounting for over 60% of the monthly increase.
- Rate cuts are no longer the base case.
- At its June 17 meeting under new Chair Kevin Warsh, the Fed held rates at 3.50%–3.75% but struck a hawkish tone — the dot plot showed nine members projecting at least one hike in 2026.
- In the EU, headline CPI rose to 3.2% in May 2026 — the highest since September 2023 — driven by a 10.9% surge in energy prices, the steepest since February 2023.
- In the UK, CPI held at 2.8% in May, still above the Bank of England's 2% target, with transport inflation surging to 6.8% on the back of higher motor fuel prices and air fares.
- In the US, two out of the 3 three major indices traded negative this month (MTD) – NASDAQ having decreased the most, by 2.8%, DOW is the only one with positive monthly returns, 2.5%.
- US10YR was trading lower as compared to the previous month 4.4% Vs 4.5% (May'26).
- US Dollar Index increased compared to last month: 101.3 Vs 98.9 (May'26).
- Crude prices saw a sharp decline from \$92/bbl. to \$73.3/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)
June'26	7.41%
May'26	6.63%
Apr '26	7.39%
Mar '26	6.77%
Feb'26	6.91%
Jan' 26	8.39%
Dec'25	7.10%
Nov'25	7.43%
Oct'25	6.96%
Sep'25	6.31%
Aug'25	6.92%
July'25	6.59%

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Key trigger for July series

- Monsoon progress
- Macro economic data
- Geopolitics



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 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 July 01, 2026.

Disclaimer & Product Labelling

July 01, 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>Riskometer is as on 30 June 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>	<p>Benchmark: Nifty 50 Arbitrage Index</p>  <p>The risk of the benchmark is Low Risk</p>
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Source: Bloomberg, MOSL & HSBC MF estimates as on 30 June 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 (Equalized on 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 30 June 2026.

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