HSBC Arbitrage Fund

An open ended scheme investing in arbitrage opportunities.

Abridged Annual Report 2025 - 2026

HSBC Mutual Fund

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SPONSOR

HSBC Securities and Capital Markets (India) Private Limited
CIN – U67120MH1994PTC081575
Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai 400001.

TRUSTEE COMPANY

HSBC Trustees (India) Private Limited
CIN – U66190MH2024PTC416973
Regd. Office: 52/60, Mahatma Gandhi Road, Fort, Mumbai 400001.

ASSET MANAGEMENT COMPANY

HSBC Asset Management (India) Private Limited
CIN – U74140MH2001PTC134220
Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3,
Western Express Highway, Goregaon (East), Mumbai 400063.

CUSTODIAN

HDFC Bank Limited
Empire Plaza I, 4th Floor, LBS Marg, Chandan Nagar,
Vikhroli West, Mumbai - 400083.

AUDITORS TO THE SCHEME

Price Waterhouse Chartered Accountants LLP
Nesco IT Building III, 8th Floor, Nesco IT Park Nesco Complex,
Gate No. 3, Western Express Highway, Goregaon East, Mumbai 400063

REGISTRAR & TRANSFER AGENTS

Computer Age Management Services Limited (CAMS)
Unit: HSBC Mutual Fund
New No. 10, M.G.R Salai, Nungambakkam, Chennai 600034.

BOARD OF DIRECTORS OF HSBC TRUSTEES (INDIA) PRIVATE LIMITED

Ms. Jasmine Batliwalla (DIN : 00340273)	–	Director (Independent)
Mr. Nani Javeri (DIN : 02731854)	–	Director (Independent)
Mr. David Rasquinha (DIN : 01172654)	–	Director (Independent)
Mr. Meyyappan Ramaswamy (DIN : 09783178)	–	Additional Director (Associate)

BOARD OF DIRECTORS OF HSBC ASSET MANAGEMENT (INDIA) PRIVATE LIMITED

Dr. Indu Shahani (DIN : 00112289)	–	Director (Independent)
Mr. Kapil Seth (DIN : 03596866)	–	Director (Independent)
Ms. Roopa Varma (DIN : 09779388)	–	Director (Associate)
Mr. Kailash Kulkarni (DIN : 07242982)	–	Whole time Director (Associate)

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Dear Investor,

FY2025–26 was a year that tested investor conviction while reinforcing the enduring value of disciplined, long-term investing. Global markets navigated geopolitical tensions, evolving trade dynamics and heightened volatility, creating uncertainty across asset classes. Yet, India's economy continued to demonstrate remarkable resilience, supported by strong domestic demand, sustained infrastructure investment, policy continuity and improving private sector participation.

Against this backdrop, Indian investors displayed increasing maturity and confidence in financial markets. Rather than reacting to short-term market movements, they continued to embrace systematic investing and long-term wealth creation. The mutual fund industry reached another significant milestone during the year, with assets under management (AUM) growing to approximately Rs 73.7 lakh crore as of March 2026. Monthly SIP inflows also scaled new highs, with March 2026 recording an all-time high contribution of Rs 32,807 crore—an encouraging reflection of investors' growing trust in disciplined investing and the expanding role of mutual funds in household financial savings.

India's growth story remains intact

Indian equity markets witnessed heightened volatility during FY2025–26, particularly in the latter part of the year, as geopolitical tensions, evolving global trade dynamics, elevated crude oil prices and sustained foreign portfolio outflows weighed on market sentiment. Despite these headwinds, India's macroeconomic fundamentals remained resilient, supported by robust domestic demand, sustained public investment, easing inflation and improving corporate earnings expectations. Domestic institutional investors continued to provide stability to the markets, while sustained SIP inflows and growing retail participation underscored investors' confidence in India's long-term growth story.

Volatility is an inevitable part of investing. Time and again, market corrections have reinforced the importance of remaining disciplined and focused on long-term financial goals rather than reacting to short-term market movements. This belief continues to guide our investment philosophy and our commitment to helping investors navigate changing market environments with confidence, discipline and a long-term perspective.

Key highlights of FY2025–26

Investment Excellence: Our disciplined, research-led investment approach continued to deliver encouraging outcomes, with 13 out of 14 schemes outperforming their respective benchmarks in Q4FY26, reflecting the strength and consistency of our investment process.

Product Innovation: We expanded our investment solutions with the successful launch of HSBC Gold ETF and HSBC Gold Fund of Fund, while further strengthening our offerings through the introduction of our third-party PMS platform.

Digital Transformation: We continued investing in technology to enhance our operational capabilities, including the successful implementation of Bloomberg solutions, while advancing our digital ecosystem to deliver superior experience for investors and partners.

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Investor Education & Brand Building: We strengthened investor engagement through impactful campaigns, including the 'Teen Tigda Kaam Tagda' campaign for HSBC Multi Cap Fund, alongside initiatives focused on Gold Investing, Women & Investing, Cricket & Investing, and Global Emerging Markets. Our thought leadership was further amplified through extensive media engagement across print, television and digital platforms.

Business Growth: HSBC Mutual Fund continued to strengthen its franchise during FY2025–26, driven by healthy growth in AUM, SIP book touching close to Rs 30 crore, expanding investor participation and sustained net inflows across key product categories.

Client & Partner Engagement: We deepened our engagement with distributors, institutional clients and investors through initiatives such as Winner Circle, Connections and various knowledge-sharing platforms, reinforcing long-term relationships built on trust and collaboration.

Operational Excellence & Governance: Strong governance, disciplined risk management and successful regulatory and operational audits continued to reinforce our commitment to the highest standards of compliance, transparency and operational excellence.

Looking ahead

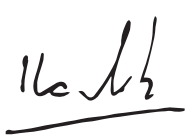
India's long-term investment opportunity remains compelling. Rising financialisation of household savings, favourable demographics, increasing formalisation of the economy and continued participation in capital markets provide a strong foundation for sustained growth.

As we look ahead, we remain focused on broadening our investment solutions, strengthening our digital ecosystem through the launch of our enhanced website, progressing our GIFT City proposition and continuing to invest in technology, innovation and operational excellence. Our commitment remains unwavering—to deliver consistent investment outcomes, deepen investor relationships and create long-term value through disciplined execution.

None of this would have been possible without the trust of our investors, the confidence of our distribution partners, the support of our institutional clients and the dedication of our employees. On behalf of everyone at HSBC Mutual Fund, I extend my sincere gratitude to each one of you.

As always, we remain committed to helping investors achieve their financial aspirations with integrity, transparency and an unwavering focus on long-term value creation.

Warm regards,



Kailash Kulkarni
Chief Executive Officer
HSBC Mutual Fund

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Trustees' Report
For the year ended March 31, 2026

The Board of Directors of HSBC Trustees (India) Private Limited, Trustees of HSBC Mutual Fund present the Twenty Fourth Annual Report and the audited abridged financial statements of the schemes of the HSBC Mutual Fund ('the Fund') for the year ended March 31, 2026.

The Fund's Assets Under Management ('AUM') (excluding Domestic FOFs) as on March 31, 2026, was INR 121,891.68 crore (audited). The Fund ranks in the top 20 Mutual Fund houses in India, in terms of AUM.

As at March 31, 2026, the Fund offered 45 schemes across asset classes, to offer a broad product suite to meet the varying investment needs of the investors. During the year, the Fund launched two new products, namely HSBC Gold ETF and HSBC Gold ETF Fund of Funds in the ETF (Other Schemes) and FoF (Domestic) category respectively.

During the financial year 2025 - 2026, two schemes of the Fund were merged into other existing schemes, as detailed below. All regulatory requirements, including exit options to investors, were complied with in connection with these mergers.

- HSBC Tax Saver Equity Fund was merged into HSBC Flexi Cap Fund, effective 23 January 2026.
- HSBC Global Equity Climate Change Fund of Fund was merged into HSBC Global Emerging Markets Fund, effective 25 March 2026.

The Fund continues its focus on delivering consistent long-term returns. The comments on the performance of the scheme(s) for the financial year April 01, 2025 – March 31, 2026 (FY 25-26) are provided hereinafter. Dividends were declared under various schemes as per the provisions contained in the respective Scheme Information Documents, after considering the distributable surplus available under the respective plans of the schemes. Details of dividends declared can be viewed on the Fund's website at www.assetmanagement.hsbc.co.in.

I. Scheme Performance, Market Outlook, and Operations of the Schemes

a. Operations and Performance of the Schemes

HSBC Arbitrage Fund ('HAF')

(Arbitrage Fund - An open-ended scheme investing in arbitrage opportunities)

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.

The net assets of HAF amounted to Rs. 2,525.80 crore as at March 31, 2026 as against Rs. 2,245.43 crore as at March 31, 2025. Around 67.01% of the net assets were invested in equities, 10.13% of the net assets were invested in Debt, 1.08% of the net assets were invested in reverse repos/TREPS, 19.67% of the net assets were invested in Mutual fund/AIF units, and 2.11% in net current assets as at March 31, 2026.

The investment strategy includes identifying and investing into arbitrage opportunities between spot / cash and futures prices of individual stocks. The Scheme may also invest in debt and money market securities instruments. It will deploy "Cash and Carry Arbitrage" strategy wherein the fund manager will evaluate the difference between price of an individual stock in the futures market and in the spot/ cash market. If the price of a stock in the futures market is higher than in the spot/ cash market, after considering the associated costs and taxes, the Scheme may buy the stock in the spot/ cash market and sell the same in equal quantity in the futures market simultaneously. Similarly, the Scheme may at a later date, unwind the trade by selling cash position and buying in the futures markets. The fund manager after careful analysis may also decide to roll over the position, if the market conditions are favorable.

The Scheme marginally underperformed its benchmark on 1-year and 3-year basis but outperformed over 10-year and since inception periods. The volatility during the year aided rollover, yielding better spreads. The Scheme was inclined towards large and mid-cap stocks and had lower allocation to small cap stocks. Also, the Scheme performance was impacted slightly from lower debt returns, pulling down the overall returns.

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

HSBC Arbitrage Fund									Inception Date: 30-June-2014	
Fund / Benchmark (Value of ₹ 10,000 invested)	1 Year		3 Years		5 Years		10 Years		Since Inception	
	Amount (₹)	Returns (%)	Amount (₹)	Returns (%)	Amount (₹)	Returns (%)	Amount (₹)	Returns (%)	Amount (₹)	Returns (%)
HSBC Arbitrage Fund – Regular Plan	10608	6.05	12200	6.85	13237	5.77	17443	5.72	19826	5.99
HSBC Arbitrage Fund – Direct Plan	10668	6.64	12433	7.53	13673	6.46	18547	6.37	21309	6.65
Scheme Benchmark (Nifty 50 Arbitrage Index)	10729	7.24	12487	7.68	13643	6.41	17277	5.62	19603	5.89
Additional Benchmark (Nifty 50 TRI)	9601	–3.97	13320	10.03	16113	10.01	32594	12.54	33770	10.91

Past performance may or may not be sustained in future. The returns for the respective periods are provided as on March 31, 2026, for Growth Options of Regular and Direct Plans. Different plans shall have a different expense structure. Performance of the respective benchmark is calculated as per the Total Return Index (TRI).

Risk-o-meter as of 31st March, 2026:

Scheme Name	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC Arbitrage Fund	The risk of the scheme is Low Risk	Benchmark Index: Nifty 50 Arbitrage Index The risk of the benchmark is Low Risk

Please note that the above risk-o-meter is as per the product labelling of the Scheme basis Scheme's monthly portfolio as on March 31, 2026.

II. MARKET OVERVIEW & OUTLOOK (AS FURNISHED BY HSBC ASSET MANAGEMENT (INDIA) PRIVATE LIMITED)

➢ EQUITY OUTLOOK

Recap of FY 2025-26:

FY26 was a tough year for the Indian equity markets. Year started on a tough note in the aftermath of global tariffs being imposed by the new US administration, post which there was some recovery. However, a US trade deal remained elusive and was followed mid-year by imposition of additional tariffs on India. This then led to significant FII selling as well as modest depreciation of the rupee. The rupee however continued to gradually slip on widening trade deficit and weak capital account concerns through the year, finally witnessing a sharp 4% depreciation in Mar'26 with sharp spike in crude with the emergence of the middle east crisis. The dollar appreciated by 11% vs the rupee during the year. The mid-east crisis led to extremely heavy FII selling in March and all indices corrected heavily by more than 10% reversing the modest gains made during the year. All indices ended negatively for the year except the NSE Mid cap Index.

The government took several measures during the year to address slowdown concerns starting with significant income tax rate cuts in Budget 2025 in Feb'25 and followed it up with GST reforms in Sep'25 which led to significant rationalization in GST rates. The benign inflation environment also allowed the RBI to cut repo

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

rates by 125bps by Dec'25 starting with the first cut in Feb'25. The central bank also took steps to ease the liquidity environment and support growth. Growth had started to recover in H2FY26 boosted by the GST rate cuts and consistent above average monsoons for two consecutive years. Despite tariff issues real GDP growth remained strong in the first 3 quarters of FY26 averaging more than 7.5%, a trend which we expect to be followed in Q4FY26 as well. However, nominal GDP growth trend has been weak, with growth expected to be below 9% for FY26.

Metals was the best performing sector for the year driven by supportive global and local trends. Only other sector with 10%+ returns was Autos which was a major beneficiary of the GST rate cut. Capital Goods, Oil & Gas, Power and Healthcare were marginally positive for the year. Banks were moderately negative driven by heavy FII selling, while FMCG corrected more than 10%. IT corrected by more than 20% driven by weak growth and concerns around AI impact while Realty was the worst performing sector of the year for the second consecutive year.

MSCI India Index significantly underperformed most global indices during the past fiscal driven by the sharp depreciation of the rupee. MSCI India index (USD) lost 13.1% as compared to 17.4% gain for MSCI World, 16.3% for US S&P 500, 16.1% for MSCI Europe and a whopping 26.9% for MSCI Emerging Markets lead by Korea, Taiwan and Brazil. MSCI China rose only 1.6% over the period.

During FY26, DIIs invested US$95.5bn with MFs investing US$61bn (vis-à-vis US$56bn in FY25) while Insurance also contributed US$34.5bn (vis-à-vis US$16.6bn in FY25), while FIIs withdrew US$21bn from the Indian market versus an outflow of US$15.6bn in FY25. Lack of AI exposure, growth concerns due to lack of trade deal, depreciating rupee and negative impact of sharp spike in crude price drove the outflow.

Source: Motilal Oswal

Indices Returns (April 01, 2025 to March 31, 2026)	1 Year^
S&P BSE Sensex TR	-6.0%
NSE CNX Nifty TR	-4.0%
S&P BSE 100 TR	-3.6%
S&P BSE 200 TR	-3.1%
S&P BSE 500 TR	-3.1%
S&P NSE Midcap TR	2.3%
S&P BSE Small-cap TR	-6.8%

^ *Source: Bloomberg (Above table values are for total return indices)*

Way Forward:

The Middle East conflict is exerting macro-economic pressure on India. Higher crude and fertilizer prices and weaker rupee will be headwinds to FY27 growth if things are not resolved quickly. While government is absorbing most of the impact, this will impinge on government's ability in the near term to boost infra spending. However, we still see India's growth remaining robust despite these challenges. We believe interest rate cuts by the RBI, the GST rate cut, and income tax rate cut announced by the Union government should support consumption and private sector capex. We believe consumers will be able to absorb a sharp increase in pump prices as prices have remained unchanged for the last 4 years. However, risk of a below normal monsoon with negative consequences for food production and leading to higher food inflation is also another stress in the near term.

We believe India's growth remains quite resilient despite the global macro-economic challenges. We expect India's investment cycle to be on a medium-term uptrend supported by government investment in infrastructure, support to manufacturing and pickup in private investments. Announcements of potential trade deals with EU and US should help support private capex driven by improved medium term tariff certainty and export competitiveness. Nifty valuations are trading at 10-year average. We remain constructive on Indian equities on a longer-term basis however near-term outlook remains more uncertain due to geo-political conflicts.

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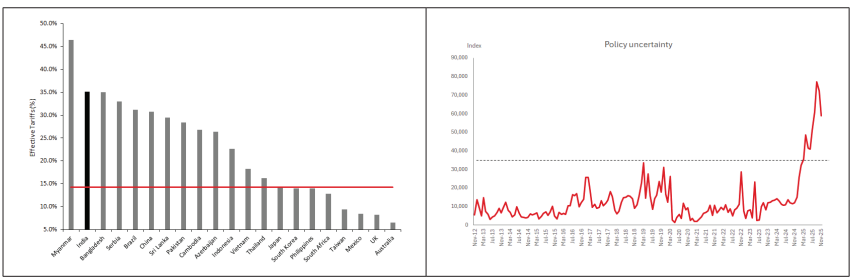
Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

➢ DEBT OUTLOOK

2025 would be remembered as a tariff-ied year and 2026 would be the year of transition; transitioning into the orbit of a world of higher tariffs and disrupted global supply chains. 2026 would be the year of transition for many nations as they navigate the geopolitical developments and the first full year of a tariffed world. The average effective tariffs for the world stand at 14% and that on Indian exports to the US are almost at the top of the table at 35%! The global growth and world trade is likely to undergo tectonic shifts in the newly tariffed world, and we think 2026 would be the first year where the implications on investments, growth, inflation, rates, and currency would start showing up. The increasing number of bilateral trade agreements between nations, and each country's equation with the US is likely to complicate the trade & commerce map – with the US becoming the north star in the navigational compass for trade.



Source given at bottom of note

India's macroeconomic landscape

Look back at 2025:

2025 was clearly a tale of two halves as far as India rates and currency is concerned. The first half was marked by a largely stable rupee, recouping of forex reserves by the RBI to a peak of 703bn in end June, an aggressive 100bps rate cutting spree by the RBI MPC and a 50bps rally in 10-year government bond yields. All of this was broadly in sync with our expectations outlined at the start of 2025 and if anything, a positive surprise even versus our above consensus bullish expectations.

However, the darker tone for the second half of the year was set by the negative tariff surprise for India, which initially seemed like a short term blip, but as the year went by – the continuing negative impact started weighing on INR weakness, trade and BoP data and RBI's liquidity management as well. From 1st July, the INR weakened by ~4.2% - standing out as one of the weakest performers versus its EM peers, forex reserves started reducing – with RBI shifting the pressure from spot to the forward book and government bond yields starting moving higher by almost 25-30bps despite RBI reducing rates by another 25bps at its December policy; taking the total easing to 125bps in CY25.

While the domestic macro fundamentals suggest a golden period for our economy, with RBI's FY26 GDP growth estimates up to 7.3% (6.7% at start of the year) and average CPI at 2% (4.2% at the start of the year) – all eyes are instead on the external front where the wait for a "good" trade deal with the US is getting longer and more uncertain.

This policy uncertainty was visible in market volatility through the year; especially currency, which was the worst performing currency in Asia, down ~6% YTD CY25. Notwithstanding these headwinds, India has shown remarkable poise, due to domestic factors and policies with equity markets up YTD by ~9.5%, bond yields modestly down ~16 bps (CY25 data till Dec) with FX reserves showing an accretion of US$ ~46 bn to US$ 687bn (as of 5-Dec).

CY26 - A FINE BALANCING ACT

2025 was characterised by fiscal boost to growth, accompanied by monetary policy easing. The government has reduced personal income tax rates and rationalised indirect taxes under GST. Concurrently, monetary

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For the year ended March 31, 2026 *(Contd...)*

policy has become more accommodative, with policy rates lowered by 125 basis points to 5.25%, increased system liquidity through CRR cuts and OMO purchases, and FX Buy/Sell Swaps to manage currency volatility.

This coordinated approach is expected to support domestic growth in CY26, although policy options, hereon, would be limited. The focus shifts to navigating trade negotiations with the US, where progress has been delayed and continues to require careful footwork. After such an eventful year and with so much done on the fiscal and monetary policy fronts, the most immediate question becomes what more? We narrowed down on five key domestic drivers that shape our outlook for 2026.

1. **Can India keep pushing on the growth pedal in 2026 without stirring up inflation?**

   In our view, yes. Despite sustaining 6.5-7% trend growth though the year, inflation is likely to average just 3.5% in 2026, well below the MPC target of 4% with structural factors expected to keep inflation well contained. All this is of course on the assumptions of a good monsoon and a stable global commodity regime. While US tariffs present headwinds to India's growth outlook, fiscal and monetary easing in 2025 provide offsetting support. The RBI's MPC faces a fine balancing act as it manages forthcoming base revisions to both CPI and GDP.

2. **Is there more space on fiscal and monetary levers to further push on the growth pedal?:**

   Following the expansionary measures in 2025, the government's fiscal capacity is now more restricted, particularly at the state level where resources are stretched. With recent tax incentives and sustained capital expenditure, there is limited room for additional fiscal intervention to support growth. As the government transitions its fiscal anchor from deficit management to a debt-to-GDP target of 50±1% by FY31, fiscal policy will require careful calibration. State-level fiscal positions remain weaker than the Centre's and will be a key area for monitoring.

   On the monetary policy front, while majority of the heavy lifting is already done, we still ascribe a >50% probability to one last 25bps cut by the MPC at either the Feb or the April policies, before we settle at 5% rate for a prolonged period. While it is natural to start worrying about the inevitable rate hike at the end of an easing cycle, we believe it is premature and do not expect any rate hike in 2026.

3. **Would liquidity management and credit-deposit trends pose a challenge?:**

   The unexpected FX intervention has been a drag on banking system liquidity in 2025. In our view, this is likely to be a key challenge for the economy and for the RBI to manage as we head into 2026, more so as credit growth is likely to move higher from 11% currently, while deposit growth remains stuck in a 10% range. The RBI would need to ensure adequate reserve money creation in the system, which is currently languishing at 1.5-2%. We expect the RBI to continue with their proactive liquidity infusing stance, ensuring the benefits of monetary transmission do not get frittered away similar to what we saw in the latter half of 2025.

4. **What will arrest the INR's unidirectional weakening trend?:**

   The elephant in the room undoubted is the rupee trajectory and the key hope there is for an early trade deal with the US, putting us on a favorable footing versus other peer exporters. Managing the rupee in 2025 has been a tough balancing act, with rising dollar demand, a widening trade deficit, and capital outflows all testing the RBI's ability to walk the tight rope. Historically, the currency tends to experience sharp depreciation every two to three years, typically driven by significant global developments—as observed in 2013, 2015, 2018, and 2022. After such periods, the rupee trajectory generally tends to stabilize over the next few years, tracking domestic macroeconomic fundamentals. While it is hard to predict exactly when the rupee weakening peaks off this time around, given the strong underlying macro fundamentals – we do believe we are closer to the end of the sharp depreciation phase, after which it should settle into a more stable range through rest of 2026. On a real effect exchange rate basis, the rupee has weakened almost 10% making it cheap on long term valuations. In an optimistic scenario, a sudden reversal in the rupee trajectory can also not be ruled out on a combination of a beneficial trade deal announcement, strong policy driven offshore investor inflows, along with potential confirmation of Bloomberg Global Aggregate Index inclusion.

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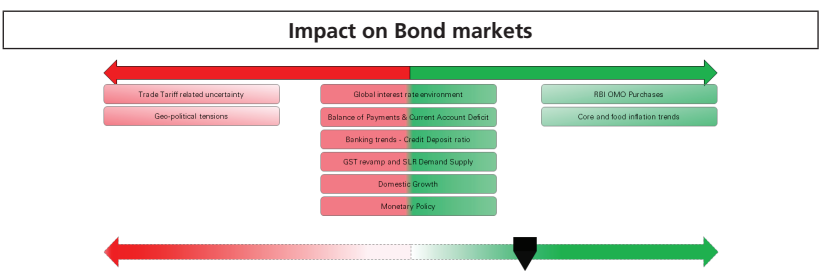
5. Will the demand-supply equation pressure yields higher in 2026?:

The Centre is expected to walk a tightrope, balancing multiple objectives without increasing G-sec issuance. However, fiscal developments at the State level are likely to keep overall bond supply elevated year-on-year, particularly with a substantial pipeline of State Development Loans (SDLs) anticipated in CY26.

We expect 1.5-2.5 lakh cr of OMO in Q1 2026, with potentially another 2-3 lakh cr OMO in rest of the calendar year depending on the extent of accretion / depletion of FX assets on its balance sheet. This in our view, should tilt the demand-supply equation for central government securities in a favorable manner. The joker in the pack would be any confirmation of inclusion of Indian bonds in the Bloomberg Global Aggregate Index in Q1 2026, which could then lead to 15-20bn USD of FPI inflows, creating a very positive technical backdrop for Gsec. We remain wary of State Development Loans (SDLs), as the supply worries in that segment are likely to continue, pushing SDL spread over Gsec higher, even from the currently elevated 75-80bps.

Our top-down analysis indicates that the macroeconomic environment remains fairly conducive for rates to remain steady and lower for longer, with risks emanating from external sector & global developments. Accordingly, we expect the fixed income markets to consolidate, with wide trading ranges and higher volatility, as we approach the end of the easing cycle, and the markets shift focus on timing the reversal of the current loose monetary policy.

In the above backdrop, we think, it would be prudent to have an accrual strategy in portfolio positioning in 2026 along with some tactical calls on long-end of the curve. The below is a snapshot of what factors are in focus for the Indian Bond markets:



Investment strategy: Staying Nimble Footed

On balance, amidst all the global uncertainty and the known unknowns, we are taking a neutral approach to the Indian bond market for 2026, favoring an accrual strategy, with the intent to remain nimble footed in our strategies and using overweight duration position as a tactical call to capture alpha, as and when such opportunity emerges.

As we start 2026 - We favor 2-3 year corporate bonds, which has recently seen spread widening this month but remains attractive at close to 90-95 bps spread over IGBs. As we ease into April 2026, sufficient liquidity is likely to provide an opportunity here for capturing spread compression.

We also remain positive on 7-12 year segment in IGBs which should benefit from OMO purchases, while looking at 30-40 yr segment more as a tactical call.

We continue to remain underweight on SDLs in duration products given likely higher supply in Q4.

Steady Footing Amid Global Shifts

The year 2025 came with its own twists and turns, keeping market on its toes as it navigated through tariff shocks, low inflation-high growth conundrums, a constant will they/wont they debate on rate cuts and finally the Rupee unfortunately hogging the limelight. Year 2026 will likely come with its own share of surprises and

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For the year ended March 31, 2026 *(Contd...)*

investors should take a nimble footed approach, as always. But amidst all this, India's resilient macroeconomic fundamentals offer a solid foundation to be able to deal with such challenges as we navigate through 2026.

Heading half-way into CY26, the outlook is upended owing to the geopolitical uncertainties and the US-Israel's coordinated attack on Iran end-Feb'26 has rattled markets bringing back worries of high inflation led hike in policy rates and downside risks to economic growth across the globe, in particular raising concerns for Asia which remains heavily dependent on oil imports via the SoH – the SoH remains as hostage to the Iran conflict and until it fully reopens, the oil markets may continue to remain tigt keeping prices elevated. The inflation risks and some major AE's hiking policy rates have sent global bonds tumbling, with yield rising to multi-year highs; weighing on EMs as well. Consequently, the FX market has come under pressure too, leaving most EM currencies exposed to the external shock.

In India, while the govt. absorbed some of the shock, the relentless rise in crude oil prices has led to pass through to consumers. This has added to concerns of higher inflation and markets are starting to price in increased possibility of pre-emptive rate hikes by the RBI. The war changed India's goldilocks situation of high-growth, low-inflation, modest BoP deficit has now put India's macros out of that balance – mainly due to the war. The war has increased fiscal costs, widened the oil-led trade deficit and a risk-off mode led capital outflows is widening the BoP deficit & dragging the INR to fresh lows; the oil prices surge is now getting passed on to consumers (fuel pump prices higher) adding to inflation worries – which comes in the back of poorer monsoon outlook for CY26 (esp. if El Nino conditions were to develop). Against this backdrop, the outlook for growth is also looking bleak.

All-in-all, the macros have upended and rates market have seen the negative spillover effects as participants have started to factor in rate hikes to tackle inflation risks from the oil shock, with many starting to draw parallels from 2022 fallout as well as contemplating on RBI re-deploying some tools from similar such shocks of 2022/2023.

In our assessment, inflation risks are high and for 2HFY27, headline inflation will start settling in the 5-6% range; while the RBI MPC is expected o raise rates eventually, we still believe that first such move may come through in JFM of CY27, and Dec'26 would be a possibility if there is no de-escalation in the US-Iran situation and the oil price shock leads to policy tightening. A prelude to rate hike would also be liquidity tightness by the RBI, which currently we think is being kept in surplus territory. We remain vigilant and nimble footed and as the situation evolves we are continuously assessing our outlook.

Sources: RBI, Bloomberg and HSBC MF

III. BRIEF BACKGROUND OF THE SPONSORS, THE FUND, THE TRUSTEES AND THE ASSET MANAGEMENT COMPANY

a. Sponsor

HSBC Mutual Fund is sponsored by HSBC Securities and Capital Markets (India) Private Limited (HSCI). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of INR.1,00,000/- (Rupees One Lakh only) to the Trustees as the initial contribution towards the corpus of the Mutual Fund.

HSCI offers integrated investment banking services, securities and corporate finance & advisory. HSCI is a member of the Bombay Stock Exchange Limited and National Stock Exchange (capital and derivative market segments). HSCI holds 100% of the paid-up equity share capital of HSBC Asset Management (India) Private Limited.

b. HSBC Mutual Fund

HSBC Mutual Fund ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated February 7, 2002 (as amended) and a Deed of Novation dated February 12, 2024 with HSBC Securities and Capital Markets (India) Private Limited, as the Sponsor and HSBC Trustees (India) Private Limited, as the Trustees. The Trustees have entered into an Investment Management Agreement dated February 7, 2002 (as amended) with HSBC Asset Management (India) Private Limited (AMC) to function as the Investment Manager for all the schemes of the Fund. The Fund is registered with SEBI vide registration number MF/046/02/5 dated May 27, 2002.

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

The Trust has been formed for the purpose of pooling of capital from the public for collective investment in securities for the purpose of providing facilities for participation by persons as beneficiaries in such investments and in the profits/ income arising therefrom.

c. HSBC Trustees (India) Private Limited (the Trustees)

HSBC Trustees (India) Private Limited ("HTIP") (the Trustees to HSBC Mutual Fund) is a private limited company incorporated on 09 January 2024 under the Companies Act, 2013, and having its Registered Office at 52/60, Mahatma Gandhi Road, Fort, Stock Exchange, Mumbai – 400 001

The Trustees are the exclusive owner of the Trust Fund and hold the same in trust for the benefit of the unitholders. The Trustees have been discharging their duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustees seek to ensure that the Fund and the schemes floated there under are managed by the AMC in accordance with the Trust Deed, the said Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

As of March 31, 2026, HSCI holds 100% of the paid-up equity share capital of HTIP.

d. Asset Management Company (the AMC)

HSBC Asset Management (India) Private Limited (the Investment Manager or the AMC) is a private limited company incorporated under the Companies Act, 1956 on December 12, 2001, and having its Registered Office at 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai – 400 063. HSBC Asset Management (India) Private Limited has been appointed as the Investment Managers to HSBC Mutual Fund by the Trustees vide Investment Management Agreement (IMA) dated February 7, 2002 (as amended) executed between the Trustees and the AMC. SEBI approved the AMC to act as the Investment Manager of the Fund vide its letter No. MFD/BC/163/2002 dated May 27, 2002. The paid-up equity share capital of the AMC is INR 344.41 crores. The AMC is registered as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993 vide registration no. INP000001322. The AMC also offers non-binding Advisory services to offshore funds under the mutual fund license.

SEBI vide its letter dated May 3, 2024, has accorded no objection to the AMC to undertake Alternate Investment Funds activity under the SEBI (Alternate Investment Funds) Regulations, 2012. SEBI vide its letter dated October 3, 2024, has also accorded it's no objection to the AMC for setting up of a wholly owned subsidiary in International Financial Services Centre ("IFSC"), Gujarat International Finance Tec-City ("GIFT City") to undertake activities as permitted under Regulation 24(b) of SEBI (Mutual Funds) Regulations, 1996 and provide non-binding advisory services to the subsidiary for its GIFT AIF activity.

HSBC Securities and Capital Markets (India) Private Limited holds 100% of the paid-up equity share capital of the AMC.

IV. Investment Objective of the Schemes

The investment objective of respective schemes has been provided above under the heading "Scheme Performance, Future Outlook and Operation of the Scheme" (Refer Section I).

V. Significant Accounting Policies

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Schemes in the Full Annual Report. The accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations, 1996 and Indian Accounting Standards (IND AS) notified under section 133 of the Companies Act, 2013 (the "Act" read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

VI. Unclaimed Dividends & Redemptions

Summary of number of investors & corresponding amount Scheme-wise as on March 31, 2026

Scheme Name	Dividend		Redemption	
	Number of Investors	Amount (INR)	Number of Investors	Amount (INR)
HSBC Arbitrage Fund	43	1,33,005.32	21	4,71,058.36

VII. Investor Services

The Fund has made available for the convenience of the investors, official points for acceptance of transactions at 211 locations. The AMC, in addition to the offices of the Registrar & Transfer Agent, has its own offices in 62 locations and Investor Service Centers in 55 locations. Further, the investor can contact the AMC on its 2 Toll Free numbers (1800-4190-200 / 1800-200-2434) which can be dialed from anywhere in India and one number i.e. +91 44 39923900, for investors calling from abroad. HSBC Mutual Fund offers the online transaction facility through the AMC's website at www.assetmanagement.hsbc.co.in.

On the distribution front, the Fund has empaneled 68,952 distributors as on March 31, 2026. Further, to provide wider access to the investors, the AMC during the year initiated multiple tie-ups for online distribution of the Fund's schemes with several channel partners. Investors can now invest in the schemes of the Fund through 162 such tie-ups as on March 31, 2026. We hope that the investors will benefit from these services and overall enhance the investment experience for our investors.

VIII. Details of Investor Grievance Redressal

The details of the redressal of investor complaints received against HSBC Mutual Fund during April 2025 - March 2026 are as follows:

Part A: Total complaints report (including complaints received through SCORES)

Complaint code	Type of Complaint #	(a) No. of complaints pending at the beginning of the period	(b) No. of complaints re-ceived during the period	Action on (a) and (b)									
				Resolved					Non Action-able*	Pending			
				Within 30 days	30-60 days	60-180 days	Beyond 180 days	Average time taken^ (in days)		0-3 months	3-6 months	6-12 months	Beyond 12 months
I A	Non receipt of amount declared under Income Distribution cum Capital Withdrawal option	0	3	3	0	0	0	6	0	0	0	0	0
I B	Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option	0	1	1	0	0	0	6	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	15	15	0	0	0	7	0	0	0	0	0

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

Part A: Total complaints report (including complaints received through SCORES)													
Complaint code	Type of Complaint #	(a) No. of complaints pending at the beginning of the period	(b) No. of complaints received during the period	Action on (a) and (b)									
				Resolved					Non Actionable*	Pending			
				Within 30 days	30-60 days	60-180 days	Beyond 180 days	Average time taken^ (in days)		0-3 months	3-6 months	6-12 months	Beyond 12 months
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	15	15	0	0	0	5	0	0	0	0	0
II B	Discrepancy in Statement of Account	1	53	53	0	0	0	5	0	1	0	0	0
II C	Data corrections in Investor details	1	204	204	0	0	0	4	0	1	0	0	0
II D	Non receipt of Annual Report/ Abridged Summary	0	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	2	2	0	0	0	5	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	1	1	0	0	0	8	0	0	0	0	0
III C	Deviation from Scheme attributes	0	1	1	0	0	0	3	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	129	128	0	0	0	5	0	1	0	0	0
III F	Delay in allotment of Units	0	6	6	0	0	0	7	0	0	0	0	0
III G	Unauthorized Redemption	0	0	0	0	0	0	0	0	0	0	0	0
IV	Others**	0	69	69	0	0	0	6	1	0	0	0	0
	TOTAL	**2**	**499**	**498**	**0**	**0**	**0**	**67**	**1**	**3**	**0**	**0**	**0**

**As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/ Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence, data corrections in Investor Details are included as a separate category.

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

*Non-actionable means the complaint is incomplete/ outside the scope of the mutual fund.

including against its authorized persons/ distributors/ employees. etc.

^ Average Resolution time is the sum total of time taken to resolve each complaint in days, in the current month divided by total number of complaints resolved in the current month.

Part B: Report on complaints received through SCORES

Complaint code	Type of Complaint #	(a) No. of complaints pending at the beginning of the period	(b) No. of complaints received during the period	Action on (a) and (b)									
				Resolved					Non Actionable*	Pending			
				Within 30 days	30-60 days	60-180 days	Beyond 180 days	Average time taken^ (in days)		0-3 months	3-6 months	6-12 months	Beyond 12 months
I A	Non receipt of amount declared under Income Distribution cum Capital Withdrawal option	0	0	0	0	0	0	0	0	0	0	0	0
I B	Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option	0	1	1	0	0	0	6	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	0	5	5	0	0	0	5	0	0	0	0	0
I D	Interest on delayed payment of Redemption	0	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	4	4	0	0	0	3	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	3	3	0	0	0	8	0	0	0	0	0
II C	Data corrections in Investor details	0	0	0	0	0	0	0	0	0	0	0	0
II D	Non receipt of Annual Report/ Abridged Summary	0	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	1	1	0	0	0	5	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	1	1	0	0	0	8	0	0	0	0	0
III C	Deviation from Scheme attributes	0	1	1	0	0	0	3	0	0	0	0	0

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

Part B: Report on complaints received through SCORES													
Complaint code	Type of Complaint #	(a) No. of complaints pending at the beginning of the period	(b) No. of complaints received during the period	Action on (a) and (b)									
				Resolved					Non Actionable*	Pending			
				Within 30 days	30-60 days	60-180 days	Beyond 180 days	Average time taken^ (in days)		0-3 months	3-6 months	6-12 months	Beyond 12 months
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	0	9	9	0	0	0	6	0	0	0	0	0
III F	Delay in allotment of Units	0	2	2	0	0	0	8	0	0	0	0	0
III G	Unauthorized Redemption	0	0	0	0	0	0	0	0	0	0	0	0
IV	Others**	0	18	18	0	0	0	5	1	0	0	0	0
	Total	**0**	**45**	**45**	**0**	**0**	**0**	**56**	**1**	**0**	**0**	**0**	**0**

**As per AMFI Best Practice Guidelines Circular No.25/2011-12 for Revisions in the Guidelines on Standardization of Complaints/ Grievances Reporting Procedure. If "Others" include a type of complaint which is more than 10% of overall complaints, then such a reason should be provided separately. Hence, data corrections in Investor Details are included as a separate category.

*Non-actionable means the complaint is incomplete/ outside the scope of the mutual fund.

including against its authorized persons/ distributors/ employees. etc.

^ Average Resolution time is the sum total of time taken to resolve each complaint in days, in the current month divided by total number of complaints resolved in the current month.

Part C: Trend of monthly disposal of complaints (including complaints received through SCORES)					
Sr. No.	Month	Carried forward from previous month	Received	Resolved	Pending
1	Apr-25	2	47	42	7
2	May-25	7	43	43	7
3	Jun-25	7	36	34	9
4	Jul-25	9	43	48	4
5	Aug-25	4	42	35	11
6	Sep-25	11	43	47	7
7	Oct-25	7	34	39	2
8	Nov-25	2	36	30	8
9	Dec-25	8	46	49	5
10	Jan-26	5	49	50	4
11	Feb-26	4	47	43	8
12	Mar-26	8	33	38	3

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

Part D: Trend of annual disposal of complaints (including complaints received through SCORES)					
Sr. No.	**Year**	**Carried forward from previous year**	**Received during the year**	**Resolved during the year**	**Pending at the end of the year**
1	2017-18	2	99	101	0
2	2018-19	0	86	85	1
3	2019-20	1	54	55	0
4	2020-21	0	42	41	1
5	2021-22	1	77	78	0
6	2022-23	0	235	229	6
7	2023-24	6	540	540	6
8	2024-25	6	645	649	2
9	2025-26	2	499	498	3
	Grand Total	**18**	**2277**	**2276**	**19**

Summary of Complaints for FY 2025-26

Particulars	Count
Total complaints received	499
Total number of folios	2550131
% of complaints against the folio	0.020%

IX. INVESTOR EDUCATION INITIATIVES

The AMC has been conducting various investor education initiatives to boost awareness on financial literacy, as also to make financial education interesting. During the FY 2025-26, the AMC conducted around 1,258 Investor Awareness Programs (IAP) at various locations of which 419 were Women Exclusive Programs. Following are the investor education and awareness initiatives:

- Mainline campaign titled "Retire To More" was executed on all major Above The Line (ATL) & Below The Line (BTL) platforms, achieving more than 840 million impressions.
- Participated in various events as a Financial Literacy Partner to amplify knowledge on mutual funds and financial planning through events like Embarq – Women's Expedition, Outlook 40after40, Women & Gen Z Event, Ananta Quest Retirement Planning event, Mutual Fund Olympiad, Walkathon Bangalore campaign, Mint Money Festival and IIFT.
- Within Digital activities, RCS, Meta and display campaigns executed around diverse themes such as "Children and Investing", "Women and Investing" and "Cricket and Investing", including digital banners on platforms such as Cricbuzz & The Hindu.
- Blogs on 'Investment ki Paathshala' disseminated on a monthly basis.
- 'Gyaan Guroovaar' disseminated monthly on social media handles and as mailers.
- Educational infographics disseminated in English and regional languages on topics such as retirement planning, financial freedom, early financial planning and SIPs.
- IAP decks developed on diverse themes such as SIP, retirement planning, women and investing, cricket and investing.
- General education videos and GIFs published on social media handles.
- Participated in various print properties to promote mutual fund and financial awareness through IPs like Mutual Fund comic strip in TOI, Invested Raho special feature in Dainik Bhaskar, participation in Wealth Insights magazine and Nivesh Manthan Magazine among others

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

- SIP L-Bands were promoted on TV9 Bharatvarsh and TV9 Marathi promoting investor education through regional TV channels.

X. PROXY VOTING POLICY

As per para 7.26 of SEBI Master Circular on Mutual Funds dated March 20, 2026, the Fund has adopted Proxy Voting Policy and Procedures for exercising voting rights in respect of securities held by the Schemes. (please refer Proxy Voting Policy and Procedures).

The summary of the votes cast in the general meetings of the Investee companies, by the AMC, for and on behalf of the Schemes of the Fund, for the financial year 2025-26 is provided below:

Quarter	Total no. of resolutions	Break-up of Vote decision		
		For	Against	Abstain
April 2025 - June 2025	640	504	80	56
July 2025 - September 2025	2644	2214	291	139
October 2025 - December 2025	247	184	28	35
January 2026 - March 2026	306	237	34	35
Total	**3837**	**3139**	**433**	**265**

As per para 7.26.9 of SEBI Master Circular on Mutual Funds dated March 20, 2026, the AMC has obtained certificate from M/s KPMG Assurance and Consulting Services LLP, who is acting as a Scrutinizer, on the voting report for the FY 2025-26. The certificate dated June 23, 2026 issued by M/s KPMG Assurance and Consulting Services LLP, is available on the website of the AMC as part of the full Annual Report.

Unitholders can refer to the full Annual Report for complete details of actual exercise of votes in the general meetings of the investee companies for the financial year 2025-26 or log on to the Fund's website at www.assetmanagement.hsbc.co.in.

XI. STATUTORY DETAILS

a) The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond the initial contribution of INR 1 lakh for setting up the Fund.

b) The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.

c) Full Annual Report of HSBC Mutual Fund and of HSBC Asset Management (India) Private Limited (the AMC) shall be disclosed on the website at www.assetmanagement.hsbc.co.in and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unitholders can obtain copy of the Trust Deed, the full Annual Report of the Scheme(s), the Annual Report of HSBC Asset Management (India) Private Limited and the text of the relevant Scheme(s) at a price.

XII. SCHEME WISE CHANGES IN RISK-O-METER OF THE SCHEMES OF HSBC MUTUAL FUND DURING FY 2025-26

As per para 6.16. of SEBI Master Circular on Mutual Funds dated March 20, 2026 on product labelling, the changes carried out in the risk-o-meter of the schemes of HSBC Mutual Fund during FY 2025-26 have been given in the below mentioned table for the information of the unitholders, a report on the said changes has also been displayed on the website of the Fund and AMFI.

Scheme name	Risk-o-meter level at start of the financial year (as on 01st April 2025)	Risk-o-meter level at end of the financial year (as on 31st March 2026)	Number of changes in Risk-o-meter during the financial year
HSBC Arbitrage Fund	Low	Low	0

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

XIII. GOVERNANCE UNDER THE POLICY ON STEWARDSHIP RESPONSIBILITIES OF HSBC MUTUAL FUND

As per para 7.26.14. of SEBI Master Circular on Mutual Funds dated March 20, 2026, HSBC Mutual Fund has adapted the policy on stewardship responsibilities, the unitholders are requested to note the status of governance with the same as mentioned below:

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation / non -compliance, if any
1	**Principle 1:** Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.	Complied	HSBC Asset Management (India) Private Limited's (AMIN) 'Policy on Stewardship responsibilities' (Stewardship Code/ Policy) was formulated and implemented on 01 July, 2020. This is a comprehensive document which has been publicly disclosed on the website of AMIN. The same shall follow a periodic review.	N.A.
2	**Principle 2:** Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	Complied	Defining and managing Conflict of Interest in fulfilling stewardship responsibilities are detailed in the Stewardship Policy document. The policy document is publicly disclosed.	N.A.
3	**Principle 3:** Institutional investors should monitor their investee companies.	Complied	AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites (wherever necessary), engaging with key stakeholders including competitors and customers, and financial modelling. More details enumerated in the policy document	N.A.
4	**Principle 4:** Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.	Complied	Details of undertaking active engagement with investee companies and the policy for collaboration with other institutional holders are detailed in the policy document. The policy document is publicly disclosed.	N.A.

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Trustees' Report

For the year ended March 31, 2026 *(Contd...)*

S. No.	Particulars of Principles of Stewardship Code	Status of compliance (Complied/ Not Complied)	Description	Remarks/ reasons for deviation / non -compliance, if any
5	**Principle 5:** Institutional investors should have a clear policy on voting and disclosure of voting activity.	Complied	AMIN has a clear and detailed voting policy which provides the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is disclosed on the website. AMIN discloses the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter. Additionally, AMIN also discloses the details of the votes cast, in the annual report of the schemes of HSBC Mutual Fund.	N.A.
6	**Principle 6:** Institutional investors should report periodically on their stewardship activities.	Complied	The annual status report of the stewardship code and quarterly report on proxy voting are publicly disclosed on the website as required under SEBI Regulations.	N.A.

XIV. DISCLOSURES PERTAINING TO NAV ADJUSTED DURING THE FINANCIAL YEAR FOR SWING FACTOR ALONG WITH THE PERFORMANCE IMPACT:

Sr No.	Period of applicability of swing pricing	Scheme Name	Unswung NAV	Swing factor applied	Whether optional or mandatory
NIL					

XV. SIGNIFICANT EVENT AFTER THE END OF THE FINANCIAL YEAR

NIL

XVI. ACKNOWLEDGEMENTS

The Trustees wish to thank the unitholders of the schemes for their support throughout the year, and also thank the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Association of Mutual Funds in India (AMFI) for the guidance provided by them. The Trustees also appreciate the services provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the auditors and advocates and the ebullience, sincerity and dedication of the employees of HSBC Asset Management (India) Private Limited is also appreciated.

The Trustees look forward to the continued support of everyone.

For and on behalf of **HSBC Trustees (India) Private Ltd.**

Sd/-

Nani Javeri
Director

Mumbai
July 17, 2026

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Independent Auditors' Report

To the Board of Directors of HSBC Trustees (India) Private Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of **HSBC Arbitrage Fund** (the "Scheme") of **HSBC Mutual Fund**, which comprise the Balance Sheet as at March 31, 2026, and the Revenue Account, the Statement of Changes in Net Assets attributable to unit holders of the Scheme, the Movement of Unit Capital and the Statement of Cash Flows for the year then ended, and notes to the financial statements including material accounting policy information and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996 and amendments thereto (the "Regulations") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Regulations:

   (a) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2026;

   (b) in the case of the Revenue Account, of the surplus for the year ended on that date;

   (c) in the case of the Statement of Changes in Net Assets attributable to unit holders of the Scheme, the changes in the net asset attributable for the year ended on that date;

   (d) in the case of the Movement of Unit Capital, the movement of capital for the year ended on that date; and

   (e) in the case of the Statement of Cash Flows, of the cash flows for the year ended on that date.

Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Companies Act, 2013 (the "Act"). Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

4. We have determined that there are no key audit matters to communicate in our report.

Other Information

5. The Board of Directors of HSBC Trustees (India) Private Limited (the "Trustee") and the Board of Directors of HSBC Asset Management (India) Private Limited (the "Asset Management Company") of HSBC Mutual Fund are responsible for the other information. The other information comprises the information included in the Scheme wise Annual Report 2025 - 2026, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent Auditors' Report *(Contd...)*

Responsibilities of the Trustee and the Asset Management Company for the Financial Statements

6. The Trustee and the Asset Management Company are responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance, change in net asset attributable to the unit holders, movement in unit capital, and cash flow of the Scheme in accordance with Indian Accounting Standards notified under the Companies (Companies Indian Accounting Standards) Rules, 2015, as specified in Section 133 of the Act and the Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Regulations for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Trustee and the Asset Management Company are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee and the Asset Management Company either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

7. The Trustee and the Asset Management Company are responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee and the Asset Management Company.
    - Conclude on the appropriateness of the Trustee and the Asset Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

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Independent Auditors' Report *(Contd...)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

13. The financial statements of the Scheme for the year ended March 31, 2025, were audited by prior auditors under the Regulations who, vide their report dated July 17, 2025, expressed an unmodified opinion on those financial statements.

Report on other legal and regulatory requirements

14. As required by Section 55(4) of the Regulations and Clause 5(ii) of the Eleventh Schedule of the Regulations, we report that:

    (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

    (b) The accompanying financial statements have been prepared in accordance with accounting policies and standards as specified in the Ninth Schedule of the Regulations and

    (c) The Balance Sheet and Revenue Account are in agreement with the books of account of the Scheme.

15. As required by the Clause 2 (ii) of the Eighth Schedule of the Regulations, we report that non-traded securities, where applicable, have been valued following the "Principles of Fair Valuation" approved by the Board of Directors of the Asset Management Company and the Trustees. In our opinion, these valuations are fair and reasonable.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Sd/-

Sharad Agarwal
Partner
Membership Number: 118522
UDIN: 26118522BIOBFB3649

Mumbai
July 17, 2026

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Abridged Balance Sheet as at March 31, 2026

Rs. in Lakhs

		As at March 31, 2026	As at March 31, 2025
	LIABILITIES		
1	**Unit Capital**	**128,117.75**	117,139.93
2	**Reserves & Surplus**		
2.1	Unit Premium Reserves	**(46,330.67)**	14,785.02
2.2	Unrealised Appreciation Reserve	**10,293.85**	8,032.55
2.3	Other Reserves	**160,504.64**	84,585.70
3	**Loans & Borrowings**	**–**	–
4	**Current Liabilities & Provisions**		
4.1	Provision for Doubtful Income/Deposits	**–**	–
4.2	Other Current Liabilities & Provisions	**3,595.33**	4,660.82
	TOTAL	**256,180.90**	**229,204.02**
	ASSETS		
1	**Investments**		
1.1	**Listed Securities:**		
1.1.1	Equity Shares	**169,249.70**	168,502.08
1.1.2	Preference Shares	**–**	–
1.1.3	Equity Linked Debentures	**–**	–
1.1.4	Other Debentures & Bonds	**2,501.54**	–
1.1.5	Securitised Debt Securities	**–**	–
1.2	**Securities Awaited Listing:**		
1.2.1	Equity Shares	**–**	–
1.2.2	Preference Shares	**–**	–
1.2.3	Equity Linked Debentures	**–**	–
1.2.4	Other Debentures & Bonds	**–**	–
1.2.5	Securitised Debt Securities	**–**	–
1.3	**Unlisted Securities:**		
1.3.1	Equity Shares	**–**	–
1.3.2	Preference Shares	**–**	–
1.3.3	Equity Linked Debentures	**–**	–
1.3.4	Other Debentures & Bonds	**–**	–
1.3.5	Securitised Debt Securities	**–**	–
1.4	Government Securities	**–**	–
1.5	Treasury Bills	**4,768.02**	–
1.6	Commercial Paper	**–**	–
1.7	Certificate of Deposits	**18,240.94**	9,559.45
1.8	Bill Rediscounting	**–**	–
1.9	Units of Domestic Mutual Fund	**49,673.31**	43,227.16
1.10	Exchange Traded Funds (ETF)	**–**	–
1.11	Commodities (Gold, Silver etc.)	**–**	–
1.12	Foreign Securities	**–**	–
	Total Investments	**244,433.51**	**221,288.69**
2	**Deposits**	**294.27**	279.95
3	**Other Current Assets**		
3.1	Cash & Bank Balance	**505.41**	172.62
3.2	CBLO / TREPS / Reverse Repo Lending	**2,726.28**	2,697.58
3.3	Others	**8,221.43**	4,765.18
4	**Deferred Revenue Expenditure** (to the extent not written off)	**–**	–
	TOTAL	**256,180.90**	**229,204.02**

Notes to Accounts - Annexure I

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Abridged Revenue Account for the year ended March 31, 2026

Rs. in Lakhs

			Current Year ended March 31, 2026	Previous Year ended March 31, 2025
1	**INCOME**			
1.1	Dividend		**2,013.31**	2,609.38
1.2	Interest		**1,576.40**	2,147.24
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions		**–**	–
1.4	Realised Gains / (Losses) on Interscheme Sale of Investments		**–**	–
1.5	Realised Gains / (Losses) on External Sale / Redemption of Investments		**21,316.31**	36,292.15
1.6	Realised Gains / (Losses) on Derivative Transactions		**390.85**	(7,794.42)
1.7	Other Income		**12.93**	11.56
		(A)	**25,309.80**	**33,265.91**
2	**EXPENSES**			
2.1	Management Fees		**433.69**	397.47
2.2	Goods and service tax on Management Fees		**78.06**	71.56
2.3	Transfer Agents Fees and Expenses		**41.26**	47.38
2.4	Custodian Fees		**2.47**	2.61
2.5	Trusteeship Fees		**2.98**	2.95
2.6	Commission to Agents		**776.99**	811.70
2.7	Marketing & Distribution Expenses		**0.58**	0.65
2.8	Audit Fees		**2.64**	2.65
2.9	Investor Education Expenses		**47.76**	47.26
2.10	Finance cost		**–**	–
2.11	Brokerage & Transaction Costs		**2,374.27**	2,539.88
2.12	Other Operating Expenses		**80.91**	106.14
		(B)	**3,841.61**	**4,030.25**
3	**NET REALISED GAINS / (LOSSES) FOR THE YEAR**	**(C = A - B)**	**21,468.19**	**29,235.66**
4	Change in Unrealised Depreciation in Value of Investments	**(D)**	**(9,092.72)**	(5,402.67)
5	**NET GAINS / (LOSSES) FOR THE YEAR**	**(E = C + D)**	**12,375.47**	**23,832.99**
6	Change in Unrealised Appreciation in Value of Investments	**(F)**	**2,261.30**	(7,006.97)
7	**NET SURPLUS / (DEFICIT) FOR THE YEAR**	**(G = E + F)**	**14,636.77**	**16,826.02**
7.1	Add: Balance Transfer from Unrealised Appreciation Reserve		**–**	878.14
7.2	Less: Balance Transfer to Unrealised Appreciation Reserve		**2,261.30**	–
7.3	Add / (Less): Equalisation		**63,927.50**	479.26
7.4	Transfer from Reserve Fund		**84,585.70**	66,487.15
7.5	Transfer from Unit Premium Reserve		**–**	–
8	**Total**		**160,888.67**	**84,670.57**
9	**Dividend Appropriation**			
9.1	Income Distributed during the Year		**(384.03)**	(84.87)
9.2	Tax on Income Distributed during the Year		**–**	–
10	**Retained Surplus / (Deficit) Carried Forward to Balance Sheet**		**160,504.64**	**84,585.70**

Notes to Accounts - Annexure I

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Key Statistics for the year ended March 31, 2026

	Current Year ended March 31, 2026	Previous Year ended March 31, 2025
1. NAV per unit (Rs.):		
Open		
Regular Plan - Growth Option	**18.6903**	17.4595
Direct Plan - Growth Option	**19.9763**	18.5363
Regular Plan - Monthly IDCW Option	**10.5180**	10.4992
Regular Plan - Quarterly IDCW Option	**10.9306**	11.0548
Direct Plan - Monthly IDCW Option	**10.4970**	10.5791
Direct Plan - Quarterly IDCW Option	**11.1207**	11.2743
High		
Regular Plan - Growth Option	**19.8272**	18.6903
Direct Plan - Growth Option	**21.3096**	19.9763
Regular Plan - Monthly IDCW Option	**10.5670**	10.6679
Regular Plan - Quarterly IDCW Option	**11.0858**	11.2520
Direct Plan - Monthly IDCW Option	**10.5491**	10.6843
Direct Plan - Quarterly IDCW Option	**11.2954**	11.4927
Low		
Regular Plan - Growth Option	**18.6781**	17.4705
Direct Plan - Growth Option	**19.9637**	18.5486
Regular Plan - Monthly IDCW Option	**10.2945**	10.4697
Regular Plan - Quarterly IDCW Option	**10.6984**	10.9051
Direct Plan - Monthly IDCW Option	**10.2197**	10.4713
Direct Plan - Quarterly IDCW Option	**10.8368**	11.0935
End		
Regular Plan - Growth Option	**19.8272**	18.6903
Direct Plan - Growth Option	**21.3096**	19.9763
Regular Plan - Monthly IDCW Option	**10.2951**	10.5180
Regular Plan - Quarterly IDCW Option	**10.6990**	10.9306
Direct Plan - Monthly IDCW Option	**10.2202**	10.4970
Direct Plan - Quarterly IDCW Option	**10.8374**	11.1207
2. Closing Assets Under Management (Rs. in Lakhs)		
End	**252,580**	224,543
Average (AAuM)[1]	**238,785**	236,320
3. Gross income as % of AAuM[2]	**10.60%**	14.08%
4. Expense Ratio:		
a. Total Expense as % of AAuM (including GST tax on Management fees) (plan wise)		
Regular Plan	**0.92%**	0.93%
Direct Plan	**0.27%**	0.26%

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Key Statistics for the year ended March 31, 2026 *(Contd...)*

	Current Year ended March 31, 2026	Previous Year ended March 31, 2025
b. Management Fee as % of AAuM (plan wise)		
Regular Plan	**0.18%**	0.17%
Direct Plan	**0.18%**	0.17%
5. Net Income as a percentage of AAuM[3]	**8.99%**	12.37%
6. Portfolio turnover ratio[4]	**12.91**	13.63
7. Total IDCW per unit distributed during the year (plan wise)		
Retail		
Regular Plan - Monthly IDCW Option	**0.84**	0.70
Regular Plan - Quarterly IDCW Option	**0.88**	0.88
Direct Plan - Monthly IDCW Option	**0.95**	0.87
Direct Plan - Quarterly IDCW Option	**1.00**	1.00
Corporate		
Regular Plan - Monthly IDCW Option	**0.84**	0.70
Regular Plan - Quarterly IDCW Option	**0.88**	0.88
Direct Plan - Monthly IDCW Option	**0.95**	0.87
Direct Plan - Quarterly IDCW Option	**1.00**	1.00
8. Returns: (%)		
a. Last One Year		
Scheme		
Regular Plan - Growth Option	**6.05%**	7.05%
Direct Plan - Growth Option	**6.64%**	7.77%
Benchmark		
Nifty 50 Arbitrage Index	**7.24%**	7.65%
b. Since Inception		
Scheme		
Regular Plan - Growth Option	**5.99%**	5.99%
Direct Plan - Growth Option	**6.65%**	6.65%
Benchmark		
Nifty 50 Arbitrage Index	**5.89%**	5.77%

1. AAuM=Average daily net assets
2. Gross income = amount against (A) in the Revenue Account i.e. Income
3. Net income = amount against (C) in the Revenue Account i.e. Net Realised Gains / (Losses) for the year
4. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year

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Notes to Accounts – Annexure I

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

1 **Investments:**

1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.

1.2. Open Position of derivatives as at the year ended March 31, 2026 and March 31, 2025 are as under:

2025-26					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	Eternal Limited	1158	2,808,150	6,448.64	2.55%
HSBC Arbitrage Fund	Exide Industries Limited	99	178,200	515.62	0.20%
HSBC Arbitrage Fund	The Federal Bank Limited	93	465,000	1,210.86	0.48%
HSBC Arbitrage Fund	GAIL (India) Limited	123	387,450	535.34	0.21%
HSBC Arbitrage Fund	Glenmark Pharmaceuticals Ltd	353	132,375	2,836.40	1.12%
HSBC Arbitrage Fund	Godrej Consumer Products Limited	204	102,000	1,009.09	0.40%
HSBC Arbitrage Fund	Godrej Properties Limited	1454	399,850	5,891.39	2.33%
HSBC Arbitrage Fund	Hindustan Aeronautics Limited	77	11,550	404.31	0.16%
HSBC Arbitrage Fund	Havells India Ltd	102	51,000	607.56	0.24%
HSBC Arbitrage Fund	HDFC Asset Management Company Ltd	802	240,600	5,353.59	2.12%
HSBC Arbitrage Fund	HDFC Bank Limited	3691	2,030,050	14,939.14	5.91%
HSBC Arbitrage Fund	HDFC Life Insurance Co Ltd	242	266,200	1,578.57	0.62%
HSBC Arbitrage Fund	Hero MotoCorp Limited	82	12,300	625.82	0.25%
HSBC Arbitrage Fund	Hindalco Industries Limited	3	2,100	18.65	0.01%
HSBC Arbitrage Fund	Hindustan Unilever Limited	7	2,100	43.30	0.02%
HSBC Arbitrage Fund	Hindustan Zinc Limited	157	192,325	967.49	0.38%
HSBC Arbitrage Fund	Housing & Urban Devlopment Company Ltd	35	97,125	155.76	0.06%
HSBC Arbitrage Fund	ICICI Bank Limited	1885	1,319,500	15,989.70	6.33%
HSBC Arbitrage Fund	Eicher Motors Ltd	61	6,100	403.79	0.16%
HSBC Arbitrage Fund	ICICI Lombard General Insurance Co Ltd.	10	3,250	55.63	0.02%
HSBC Arbitrage Fund	ICICI Prudential Life Insurance Co Ltd	101	93,425	478.52	0.19%
HSBC Arbitrage Fund	Vodafone Idea Ltd.	43	3,073,425	263.70	0.10%
HSBC Arbitrage Fund	IDFC First Bank Limited	255	2,365,125	1,397.08	0.55%
HSBC Arbitrage Fund	Indian Energy Exchange Limited	133	498,750	574.16	0.23%
HSBC Arbitrage Fund	Indian Hotels Co Ltd	18	18,000	103.29	0.04%
HSBC Arbitrage Fund	Interglobe Aviation Limited	21	3,150	124.49	0.05%
HSBC Arbitrage Fund	Indusind Bank Limited	9	6,300	47.57	0.02%

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Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

2025-26					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	Indus Towers Limited	11	18,700	78.41	0.03%
HSBC Arbitrage Fund	Inox Wind Limited	319	1,140,425	863.64	0.34%
HSBC Arbitrage Fund	Indian Oil Corp Ltd	49	238,875	325.13	0.13%
HSBC Arbitrage Fund	ITC Limited	916	1,465,600	4,237.78	1.68%
HSBC Arbitrage Fund	Jindal Steel & Power Ltd	4	2,500	27.88	0.01%
HSBC Arbitrage Fund	Jio Financial Services Limited	894	2,100,900	4,719.67	1.87%
HSBC Arbitrage Fund	JSW Steel Limited	545	367,875	4,139.33	1.64%
HSBC Arbitrage Fund	Kotak Mahindra Bank Limited	370	740,000	2,623.67	1.04%
HSBC Arbitrage Fund	Laurus Labs Ltd	260	221,000	2,200.06	0.87%
HSBC Arbitrage Fund	LIC Housing Finance Ltd	543	543,000	2,703.60	1.07%
HSBC Arbitrage Fund	Lodha Developers Limited	572	257,400	1,746.85	0.69%
HSBC Arbitrage Fund	Larsen & Toubro Limited	70	12,250	430.59	0.17%
HSBC Arbitrage Fund	Lupin Limited	1	425	9.85	0.00%
HSBC Arbitrage Fund	Mahindra & Mahindra Limited	540	108,000	3,206.20	1.27%
HSBC Arbitrage Fund	Manappuram Finance Ltd	107	321,000	808.60	0.32%
HSBC Arbitrage Fund	Marico Limited	60	72,000	532.55	0.21%
HSBC Arbitrage Fund	Maruti Suzuki India Limited	19	950	117.27	0.05%
HSBC Arbitrage Fund	Max Healthcare Institute Limited	6	3,150	30.40	0.01%
HSBC Arbitrage Fund	Max Financial Services Ltd	227	90,800	1,359.28	0.54%
HSBC Arbitrage Fund	Mphasis Ltd	107	29,425	604.74	0.24%
HSBC Arbitrage Fund	National Aluminium Company Limited	38	142,500	551.62	0.22%
HSBC Arbitrage Fund	National Building Construction Corp	186	1,209,000	940.36	0.37%
HSBC Arbitrage Fund	Nestle India Limited	7	3,500	41.34	0.02%
HSBC Arbitrage Fund	NMDC Ltd	976	6,588,000	5,041.80	2.00%
HSBC Arbitrage Fund	NTPC Limited	35	52,500	195.56	0.08%
HSBC Arbitrage Fund	FSN E-Commerce Ventures Limited	3	9,375	22.10	0.01%
HSBC Arbitrage Fund	Oil and Natural Gas Corporation Ltd.	30	67,500	192.21	0.08%
HSBC Arbitrage Fund	One 97 Communications Limited	29	21,025	202.32	0.08%
HSBC Arbitrage Fund	Petronet LNG Limited	25	47,500	116.09	0.05%
HSBC Arbitrage Fund	Power Finance Corporation Ltd.	166	215,800	821.23	0.33%
HSBC Arbitrage Fund	The Phoenix Mills Limited	22	7,700	115.87	0.05%
HSBC Arbitrage Fund	Punjab National Bank	322	2,576,000	2,601.24	1.03%

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Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

2025-26					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	PNB Housing Finance Limited	232	150,800	1,140.50	0.45%
HSBC Arbitrage Fund	PB Fintech Limited	143	50,050	715.82	0.28%
HSBC Arbitrage Fund	Power Grid Corporation of India Limited	21	39,900	118.32	0.05%
HSBC Arbitrage Fund	Prestige Estates Projects Ltd	78	35,100	396.17	0.16%
HSBC Arbitrage Fund	RBL Bank Limited	819	2,600,325	7,574.75	3.00%
HSBC Arbitrage Fund	Rural Electrification Corporation Ltd	13	18,200	55.75	0.02%
HSBC Arbitrage Fund	Reliance Industries Limited	729	364,500	4,918.20	1.95%
HSBC Arbitrage Fund	Steel Authority of India Ltd	403	1,894,100	2,911.80	1.15%
HSBC Arbitrage Fund	SBI Life Insurance Company Limited	63	23,625	422.18	0.17%
HSBC Arbitrage Fund	State Bank of India	386	289,500	2,849.55	1.13%
HSBC Arbitrage Fund	Shriram Finance Limited	32	26,400	231.13	0.09%
HSBC Arbitrage Fund	Sun Pharmaceutical Industries Limited	28	9,800	173.02	0.07%
HSBC Arbitrage Fund	Tata Consumer Products Ltd	38	20,900	213.18	0.08%
HSBC Arbitrage Fund	Tata Power Company Limited	153	221,850	844.47	0.33%
HSBC Arbitrage Fund	Tata Steel Limited	29	159,500	306.96	0.12%
HSBC Arbitrage Fund	Tata Technologies Limited	82	65,600	335.48	0.13%
HSBC Arbitrage Fund	Tata Consultancy Services Limited	34	5,950	140.52	0.06%
HSBC Arbitrage Fund	Titan Company Limited	3	525	20.81	0.01%
HSBC Arbitrage Fund	Trent Ltd	7	700	23.11	0.01%
HSBC Arbitrage Fund	TVS Motor Company Ltd	272	47,600	1,606.98	0.64%
HSBC Arbitrage Fund	UltraTech Cement Limited	9	450	48.47	0.02%
HSBC Arbitrage Fund	Union Bank of India	1	4,425	7.22	0.00%
HSBC Arbitrage Fund	United Spirits Limited	17	6,800	83.09	0.03%
HSBC Arbitrage Fund	UPL Limited	1	1,355	7.72	0.00%
HSBC Arbitrage Fund	Varun Beverages Limited	118	132,750	511.68	0.20%
HSBC Arbitrage Fund	YES Bank Ltd.	515	16,016,500	2,778.86	1.10%
HSBC Arbitrage Fund	Zydus Lifesciences Limited	11	9,900	86.70	0.03%
HSBC Arbitrage Fund	Kaynes Technology India Limited	24	2,400	82.53	0.03%
HSBC Arbitrage Fund	Fortis Healthcare Ltd	17	13,175	105.08	0.04%
HSBC Arbitrage Fund	Suzlon Energy Limited	108	974,700	386.57	0.15%
HSBC Arbitrage Fund	Sammaan Capital Ltd.	643	2,764,900	4,151.50	1.64%

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Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

2025-26					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	UNO Minda Limited	12	6,600	68.16	0.03%
HSBC Arbitrage Fund	Tata Motors Passenger Vehicles Limited	26	20,800	61.74	0.02%
HSBC Arbitrage Fund	Bajaj Holdings & Investment Limited	4	200	17.55	0.01%
HSBC Arbitrage Fund	SWIGGY LIMITED	1	1,300	3.39	0.00%
HSBC Arbitrage Fund	Aditya Birla Capital Limited	1	3,100	9.07	0.00%
HSBC Arbitrage Fund	Adani Energy Solutions Limited	35	23,625	221.32	0.09%
HSBC Arbitrage Fund	Adani Green Energy Limited	50	30,000	243.45	0.10%
HSBC Arbitrage Fund	Adani Ports & Special Economic Zone Ltd	460	218,500	2,873.71	1.14%
HSBC Arbitrage Fund	Ambuja Cements Ltd	407	427,350	1,720.08	0.68%
HSBC Arbitrage Fund	APL Apollo Tubes Limited	5	1,750	34.07	0.01%
HSBC Arbitrage Fund	Apollo Hospitals Enterprise Ltd	140	17,500	1,302.26	0.52%
HSBC Arbitrage Fund	Asian Paints Limited	101	25,250	548.43	0.22%
HSBC Arbitrage Fund	AU Small Finance Bank Ltd	157	157,000	1,329.71	0.53%
HSBC Arbitrage Fund	Aurobindo Pharma Limited	142	78,100	1,020.30	0.40%
HSBC Arbitrage Fund	Axis Bank Limited	357	223,125	2,604.98	1.03%
HSBC Arbitrage Fund	Bajaj Finserv Ltd.	1	250	4.09	0.00%
HSBC Arbitrage Fund	Bajaj Finance Limited	363	272,250	2,190.25	0.87%
HSBC Arbitrage Fund	Bandhan Bank Ltd.	697	2,509,200	3,565.57	1.41%
HSBC Arbitrage Fund	Bank of Baroda	76	222,300	553.19	0.22%
HSBC Arbitrage Fund	Bank of India	26	135,200	186.22	0.07%
HSBC Arbitrage Fund	Bharat Electronics Ltd	8	11,400	45.90	0.02%
HSBC Arbitrage Fund	Bharti Airtel Limited	117	55,575	995.07	0.39%
HSBC Arbitrage Fund	Bharat Heavy Electricals Ltd	214	561,750	1,383.31	0.55%
HSBC Arbitrage Fund	Biocon Ltd	158	395,000	1,429.31	0.57%
HSBC Arbitrage Fund	Bharat Petroleum Corp Ltd	91	179,725	506.38	0.20%
HSBC Arbitrage Fund	Britannia Industries Limited	2	250	13.63	0.01%
HSBC Arbitrage Fund	BSE Ltd	5	1,875	50.53	0.02%
HSBC Arbitrage Fund	Canara Bank	26	175,500	217.74	0.09%
HSBC Arbitrage Fund	CG Power and Industrial Solutions Ltd	119	101,150	665.52	0.26%
HSBC Arbitrage Fund	Cholamandalam Investment & Finance Co	55	34,375	466.92	0.18%
HSBC Arbitrage Fund	Coforge Ltd.	28	10,500	117.44	0.05%
HSBC Arbitrage Fund	Colgate-Palmolive (India) Ltd	7	1,575	28.30	0.01%

Document remediated as per WCAG 2.2 Level AA standards

Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

2025-26					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	Container Corporation of India Ltd	464	580,000	2,472.25	0.98%
HSBC Arbitrage Fund	Crompton Greaves Consumer Elec Ltd	616	1,108,800	2,485.38	0.98%
HSBC Arbitrage Fund	Cummins India Ltd.	9	1,800	81.42	0.03%
HSBC Arbitrage Fund	Dabur India Limited	74	92,500	381.98	0.15%
HSBC Arbitrage Fund	Dalmia Bharat Limited	6	1,950	34.87	0.01%
HSBC Arbitrage Fund	Divi's Laboratories Limited	43	4,300	256.45	0.10%
HSBC Arbitrage Fund	DLF Limited	555	457,875	2,315.02	0.92%
HSBC Arbitrage Fund	Dr. Reddy's Laboratories Limited	2	1,250	15.76	0.01%

2024-25					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	Siemens Limited	19	1,425	75.22	0.03%
HSBC Arbitrage Fund	Tata Consumer Products Limit	969	441,864	4,451.78	1.98%
HSBC Arbitrage Fund	Torrent Pharmaceuticals Limi	41	10,250	332.81	0.15%
HSBC Arbitrage Fund	UPL Limited	46	62,330	397.45	0.18%
HSBC Arbitrage Fund	Yes Bank Ltd	2	52,000	8.80	0.00%
HSBC Arbitrage Fund	Bank of Baroda	1879	5,496,075	12,624.48	5.62%
HSBC Arbitrage Fund	Tata Motors Limited	1513	832,150	5,641.98	2.51%
HSBC Arbitrage Fund	APL Apollo Tubes Ltd	15	5,250	80.46	0.04%
HSBC Arbitrage Fund	Aurobindo Pharma Limited	118	64,900	757.16	0.34%
HSBC Arbitrage Fund	Divi's Laboratories Limited	109	10,900	633.09	0.28%
HSBC Arbitrage Fund	GAIL (India) Limited	54	126,900	233.12	0.10%
HSBC Arbitrage Fund	Indus Towers Limited	150	255,000	856.42	0.38%
HSBC Arbitrage Fund	Jio Financial Services Ltd	394	650,100	1,486.45	0.66%
HSBC Arbitrage Fund	Kotak Mahindra Bank Limited	114	45,600	992.92	0.44%
HSBC Arbitrage Fund	Mahindra & Mahindra Limited	15	2,625	70.31	0.03%
HSBC Arbitrage Fund	Marico Limited	53	63,600	416.71	0.19%
HSBC Arbitrage Fund	Mahanagar Gas Limited	92	36,800	513.38	0.23%
HSBC Arbitrage Fund	MRF Limited	214	1,070	1,212.98	0.54%
HSBC Arbitrage Fund	NBCC (India) Limited	65	377,000	309.14	0.14%

Document remediated as per WCAG 2.2 Level AA standards

Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

2024-25					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	Piramal Enterprises Limited	10	7,500	74.30	0.03%
HSBC Arbitrage Fund	Petronet LNG Limited	46	69,000	203.69	0.09%
HSBC Arbitrage Fund	Axis Bank Limited	1118	698,750	7,723.63	3.44%
HSBC Arbitrage Fund	Bharat Petroleum Corporation	208	374,400	1,044.01	0.46%
HSBC Arbitrage Fund	Coal India Limited	29	30,450	121.51	0.05%
HSBC Arbitrage Fund	Crompton Greaves Consumer	402	723,600	2,574.21	1.15%
HSBC Arbitrage Fund	Grasim Industries Limited	498	124,500	3,260.53	1.45%
HSBC Arbitrage Fund	IndusInd Bank Limited	352	176,000	1,146.20	0.51%
HSBC Arbitrage Fund	Indian Oil Corporation Limit	62	302,250	388.12	0.17%
HSBC Arbitrage Fund	IRB Infrastructure Developer	7	71,750	32.57	0.01%
HSBC Arbitrage Fund	JSW Steel Limited	276	186,300	1,985.86	0.88%
HSBC Arbitrage Fund	Max Financial Services Limit	28	22,400	258.42	0.12%
HSBC Arbitrage Fund	Samvardhana Motherson Intern	102	362,100	476.56	0.21%
HSBC Arbitrage Fund	National Aluminium Company L	4	15,000	26.47	0.01%
HSBC Arbitrage Fund	Punjab National Bank	561	4,488,000	4,327.33	1.93%
HSBC Arbitrage Fund	Tata Consultancy Services Li	192	33,600	1,216.17	0.54%
HSBC Arbitrage Fund	Tube Investments of India	19	2,850	79.22	0.04%
HSBC Arbitrage Fund	Titan Company Limited	46	8,050	247.78	0.11%
HSBC Arbitrage Fund	Torrent Power Limited	1	375	5.61	0.00%
HSBC Arbitrage Fund	UltraTech Cement Limited	55	2,750	318.25	0.14%
HSBC Arbitrage Fund	ABB India Limited	120	15,000	833.99	0.37%
HSBC Arbitrage Fund	Aditya Birla Capital Limited	300	810,000	1,504.17	0.67%
HSBC Arbitrage Fund	Biocon Limited	17	42,500	145.97	0.07%
HSBC Arbitrage Fund	Bank of India	66	318,450	342.91	0.15%
HSBC Arbitrage Fund	Cyient Ltd	154	46,200	587.53	0.26%
HSBC Arbitrage Fund	ICICI Prudential Life Insura	89	66,750	377.34	0.17%
HSBC Arbitrage Fund	Laurus Labs Limited	460	782,000	4,816.73	2.15%
HSBC Arbitrage Fund	Power Finance Corporation Li	167	217,100	904.66	0.40%
HSBC Arbitrage Fund	PB Fintech Ltd	5	1,625	25.98	0.01%
HSBC Arbitrage Fund	Varun Beverages Ltd	59	51,625	279.91	0.12%
HSBC Arbitrage Fund	Inox Wind Limited	1	3,225	5.29	0.00%

Document remediated as per WCAG 2.2 Level AA standards

Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

2024-25					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	Asian Paints Limited	12	2,400	56.30	0.03%
HSBC Arbitrage Fund	Exide Industries Limited	136	244,800	884.10	0.39%
HSBC Arbitrage Fund	Godrej Properties Limited	42	9,450	201.82	0.09%
HSBC Arbitrage Fund	HCL Technologies Limited	13	4,550	72.54	0.03%
HSBC Arbitrage Fund	HDFC AMC LTD	17	2,550	102.92	0.05%
HSBC Arbitrage Fund	Hindustan Copper Limited	54	143,100	317.15	0.14%
HSBC Arbitrage Fund	Hero MotoCorp Limited	282	42,300	1,583.44	0.71%
HSBC Arbitrage Fund	IDFC First Bank Limited	799	5,992,500	3,312.65	1.48%
HSBC Arbitrage Fund	Indian Energy Exchange Limit	236	885,000	1,564.24	0.70%
HSBC Arbitrage Fund	ITC Limited	267	427,200	1,757.71	0.78%
HSBC Arbitrage Fund	Manappuram Finance Limited	237	711,000	1,661.25	0.74%
HSBC Arbitrage Fund	MphasiS Limited	50	13,750	345.19	0.15%
HSBC Arbitrage Fund	NMDC Limited	195	2,632,500	1,816.95	0.81%
HSBC Arbitrage Fund	SBI Cards and Payment	21	16,800	147.98	0.07%
HSBC Arbitrage Fund	Tata Chemicals Limited	10	5,500	47.64	0.02%
HSBC Arbitrage Fund	Tata Communications Limited	688	172,000	2,730.07	1.22%
HSBC Arbitrage Fund	Trent Limited	1	100	5.34	0.00%
HSBC Arbitrage Fund	Voltas Limited	28	8,400	120.59	0.05%
HSBC Arbitrage Fund	Aarti Industries Limited	26	26,000	102.13	0.05%
HSBC Arbitrage Fund	Aditya Birla Fashion&Retail	505	1,313,000	3,365.88	1.50%
HSBC Arbitrage Fund	Astral Limited	34	12,478	162.05	0.07%
HSBC Arbitrage Fund	Bajaj Finance Limited	2	250	22.47	0.01%
HSBC Arbitrage Fund	Bharat Heavy Electricals Lim	237	622,125	1,348.70	0.60%
HSBC Arbitrage Fund	Canara Bank	532	3,591,000	3,213.23	1.43%
HSBC Arbitrage Fund	Colgate Palmolive (India) Li	11	1,925	46.24	0.02%
HSBC Arbitrage Fund	VODAFONE IDEA LTD	14	560,000	38.36	0.02%
HSBC Arbitrage Fund	Jindal Steel & Power Limited	8	5,000	45.75	0.02%
HSBC Arbitrage Fund	LTIMindtree Limited	27	4,050	182.19	0.08%
HSBC Arbitrage Fund	Max Healthcare Institute Ltd	85	44,625	492.28	0.22%
HSBC Arbitrage Fund	NTPC Limited	115	172,500	619.36	0.28%
HSBC Arbitrage Fund	Pidilite Industries Limited	200	50,000	1,432.20	0.64%

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Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

2024-25					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	Steel Authority of India Lim	169	676,000	780.78	0.35%
HSBC Arbitrage Fund	State Bank of India	1695	1,271,250	9,859.18	4.39%
HSBC Arbitrage Fund	Syngene International Limite	23	23,000	167.31	0.07%
HSBC Arbitrage Fund	Tata Power Company Limited	1046	1,412,100	5,322.91	2.37%
HSBC Arbitrage Fund	Tech Mahindra Limited	7	4,200	59.71	0.03%
HSBC Arbitrage Fund	TVS Motor Company Limited	56	19,600	476.28	0.21%
HSBC Arbitrage Fund	Vedanta Limited	272	312,800	1,455.30	0.65%
HSBC Arbitrage Fund	Apollo Hospitals Enterprise	8	1,000	66.32	0.03%
HSBC Arbitrage Fund	Bosch Limited	61	1,525	433.24	0.19%
HSBC Arbitrage Fund	BIRLASOFT LIMITED	49	49,000	190.98	0.09%
HSBC Arbitrage Fund	Cummins India Limited	7	1,050	32.13	0.01%
HSBC Arbitrage Fund	DLF Limited	265	218,625	1,495.61	0.67%
HSBC Arbitrage Fund	HDFC Bank Limited	845	464,750	8,530.95	3.80%
HSBC Arbitrage Fund	HFCL Ltd	110	456,500	362.92	0.16%
HSBC Arbitrage Fund	ICICI Bank Limited	1385	969,500	13,142.06	5.85%
HSBC Arbitrage Fund	Jubilant Foodworks Limited	86	107,500	716.65	0.32%
HSBC Arbitrage Fund	Nestle India Limited	25	5,000	113.08	0.05%
HSBC Arbitrage Fund	Oil India Ltd	101	108,575	421.38	0.19%
HSBC Arbitrage Fund	Rural Electrification Corpor	919	919,000	3,965.94	1.77%
HSBC Arbitrage Fund	Bajaj Auto Limited	92	6,900	546.12	0.24%
HSBC Arbitrage Fund	Bandhan Bank Limited	942	2,637,600	3,881.76	1.73%
HSBC Arbitrage Fund	CESC Ltd	60	175,500	270.78	0.12%
HSBC Arbitrage Fund	Container Corporation Of Ind	50	50,000	347.35	0.15%
HSBC Arbitrage Fund	Eicher Motors Limited	2	350	18.82	0.01%
HSBC Arbitrage Fund	Escorts Kubota Limited	38	5,700	186.28	0.08%
HSBC Arbitrage Fund	Glenmark Pharmaceuticals Lim	15	4,875	75.34	0.03%
HSBC Arbitrage Fund	Godrej Consumer Products Lim	18	9,000	104.58	0.05%
HSBC Arbitrage Fund	Hindustan Unilever Limited	31	9,300	211.11	0.09%
HSBC Arbitrage Fund	Housing & Urban Dev Corp	16	38,800	77.83	0.03%
HSBC Arbitrage Fund	Infosys Limited	38	15,200	239.87	0.11%

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Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

2024-25					
Scheme Name	**Underlying Assets Name**	**Number of Contracts**	**Units Outstanding (Short)**	**Outstanding market value (Rs in Lakhs)**	**% to Net Assets**
HSBC Arbitrage Fund	Oil & Natural Gas Corporatio	114	219,450	543.36	0.24%
HSBC Arbitrage Fund	RBL Bank Limited	247	617,500	1,078.22	0.48%
HSBC Arbitrage Fund	Shriram Finance Limited	142	106,500	702.63	0.31%
HSBC Arbitrage Fund	SRF Limited	3	1,125	33.24	0.01%
HSBC Arbitrage Fund	IIFL Finance Ltd.	1	1,550	5.09	0.00%

1.3. Investment in Associates and Group Companies as at the year ended March 31, 2026 and March 31, 2025 was NIL.

1.4. Open positions of Securities Borrowed and / or Lent by the scheme as on the year ended March 31, 2026 & year ended March 31, 2025 are NIL.

1.5 Investment in Below investment grade and default / Securities in default beyond its maturity date as on March 31, 2026 and March 31, 2025 are NIL.

1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial Year March 31, 2026 and March 31, 2025 are as under:

Rs. In Lakhs

Company Name	**Amount**	**Percentage to Net Assets**	**Amount**	**Percentage to Net Assets**
	As at March 31, 2026		**As at March 31, 2025**	
Equity Shares				
- Appreciation	978.83	0.39	5,613.53	2.50
- Depreciation	22,445.18	8.89	12,380.28	5.51
Commercial Papers / Certificate of Deposits				
- Appreciation	–	–	18.93	0.01
- Depreciation	34.79	0.01	–	–
Futures				
- Appreciation	7,084.59	2.80	882.12	0.39
- Depreciation	123.78	0.05	1,174.13	0.52
Domestic Mutual Fund				
- Appreciation	2,230.43	0.88	1,517.96	0.68
- Depreciation	–	–	–	–
Treasury Bills				
- Appreciation	–	–	–	–
- Depreciation	5.98	~0.00	–	–
Non Convertible Debentures and Bonds				
- Appreciation	–	–	–	–
- Depreciation	37.41	0.01	–	–

(~) - Indicates less than 0.01%

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Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

1.7. The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2025-2026 (excluding accretion of discount) is Rs.695,196.37 lakhs and Rs.679,913.33 lakhs respectively being 291.14% and 285.52% of the average net assets.

The aggregate value of investment securities (excluding TREPS and Reverse Repos) purchased and sold (including matured) during the financial year 2024-2025 (excluding accretion of discount) is Rs.677,803.9 lakhs and Rs.670,998.85 lakhs respectively being 286.82% and 284.71% of the average net assets.

1.8. Non-Traded securities in the portfolio of the scheme as on the year ended March 31, 2026 and March 31, 2025

Security Category	Fair Value (Rs in Lacs)	% to Net Assets	Fair Value (Rs in Lacs)	% to Net Assets
	2026		2025	
Debt Instruments	2,502	0.99	–	–
Money market Instruments	18,241	7.22	9,559	4.26
Total	**20,742**	**8.21**	**9,559**	**4.26**

2 **Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.**

During the year 2025-26, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. Nil.

During the year 2024-25, The Hongkong and Shanghai Banking Corporation Limited, an associate entity of HSBC Asset Management (India) Private Limited was paid collection/bank charges amounting to Rs. 21.82 lakhs.

Commission paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associates/ related parties/group companies	Nature of Association / Nature of Relation	Period Covered	Business Given [Rs. In Lakhs]	% of Total Business received by the Fund	Commission paid [Rs.In Lakhs]	% of Total commission paid by the Fund
The Hongkong and Shanghai Banking Corporation Limited	Group Company	2025-2026	52,807.61	24.61	284.75	33.28
The Hongkong and Shanghai Banking Corporation Limited	Group Company	2024-2025	63,064.05	31.69	179.88	25.00

Brokerage paid to Sponsor/AMC and its associates/related parties/group companies

Name of Sponsor/AMC and its associates/ related parties/group companies	Nature of Association /Nature of relation	Period Covered	Value of Transactions [Rs. In Lakhs]	% of total value of transactions of the fund	Brokerage paid [Rs.In Lakhs]	% of total brokerage paid by the fund
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2025-2026	NIL			
HSBC Securities and Capital Market (India) Private Limited	Sponsor	2024-2025	26,544.05	0.42	4.64	0.47

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Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

PCM Charges paid to Sponsor/AMC and its associates/related parties/ group companies

Name of Sponsor/AMC and its associates/related parties / group companies	Nature Of Association/ Nature of relation	Transaction Type	Period Covered	Amount (Rs. In Lakhs)
Hongkong & Shanghai Banking Corporation Limited	Associate Company	Clearing Charges	2025-2026	58.66
			2024-2025	53.99

3 None of the Investors held more than 25% of the total net assets of the scheme at the year ended March 31, 2026 and March 31, 2025.

4 Unit Capital movement during the year ended March 31, 2026 and March 31,2025.

Description	2025-26				
	Opening Units	Subscription	Redemption	Closing Units	Face value
Regular Plan Growth Option	669,354,023.326	623,720,629.963	576,045,222.809	717,029,430.480	10
Regular Plan - Monthly IDCW Option	6,368,964.314	3,185,591.414	2,452,563.299	7,101,992.429	10
Regular Plan Quarterly IDCW Option	489,382.983	136,739,199.361	54,737,161.861	82,491,420.483	10
Direct Plan Growth Option**	493,015,084.596	383,515,084.970	404,418,322.581	472,111,846.985	10
Direct Plan Monthly IDCW Option	1,941,301.561	383,941.236	92,994.497	2,232,248.300	10
Direct Plan Quarterly IDCW Option	230,535.684	62,410.913	82,227.660	210,718.937	10

Description	2024-25				
	Opening Units	Subscription	Redemption	Closing Units	Face value
Regular Plan Growth Option	639,818,573.809	596,852,554.463	567,317,104.946	669,354,023.326	10
Regular Plan - Monthly IDCW Option	11,726,252.823	923,978.125	6,281,266.634	6,368,964.314	10
Regular Plan Quarterly IDCW Option	292,061.183	619,968.295	422,646.495	489,382.983	10
Direct Plan Growth Option**	469,639,721.023	478,258,011.391	454,882,647.818	493,015,084.596	10
Direct Plan Monthly IDCW Option	2,444,953.160	151,412.027	655,063.626	1,941,301.561	10
Direct Plan Quarterly IDCW Option	294,160.181	12,208.630	75,833.127	230,535.684	10

**Units held by the AMC (Seed Capital) in Direct Plan Growth Option as on March 31, 2026 is 605,442.374 & as on March 31, 2025 is 605,442.374.

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Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

5 Previous year / period figures have been re-grouped / re-arranged where necessary.

6 There are no contingent liabilities and other commitments as on March 31, 2026 and March 31, 2025. Contingent asset is neither recognized nor disclosed in the financial statements.

7 Expenses other than Management Fees are Inclusive of GST where applicable.

8 Other Income of Rs. 12.93 Lakhs and Rs. 11.56 lakhs for F.Y. 2025-26 and F.Y. 2024-25 respectively represents Miscellaneous income/ Exit load (wherever applicable) credited to the scheme.

9 **Investor Education Awareness**

As mandated by SEBI vide circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 an annual charge of 0.02 percent of daily net assets, being a part of total recurring expenses is set aside for Investor Education and Awareness (IEA). In view of the AMFI Best Practices Guidelines Circular No. 56/2015-16, the IEF (Investor Education Fund) accrual is set aside in a separate bank account and the consolidated balance across all schemes as on March 31, 2026.

As per para 10.1.16 of SEBI Master Circular on Mutual Funds dated June 27, 2024, the limit of 0.02% p.a. has been reduced to 0.01% p.a. of daily net assets of the scheme in case of ETFs / Index Funds. Furthermore, Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds have discontinued setting aside 0.02% p.a. of daily net assets towards IEAI. Pursuant to SEBI circular dated December 31, 2024 titled as" Mutual Funds Lite (MF Lite) framework for passively managed schemes of Mutual Funds" ("the circular"), the AMC shall allocate funds towards investor education and awareness initiatives for passive schemes as under:

I. Fund of Funds (investing more than 80% of its NAV in the underlying domestic passive fund) – Nil.

II. Passive schemes and Overseas Fund of Funds (FoFs)- based on underlying indices as per clause 3 and clause 4 of this circular: 5% of total TER charged to direct plans, subject to maximum of 0.5 bps of AUM.

Out of the total amount transferred to AMFI for investor awareness by AMCs, AMFI shall allocate a minimum of 5 percent for focused investor education and awareness towards promoting passive funds, distinct from AMFI's general investor education initiatives.

For the income earned on unclaimed redemption and dividend amount beyond 3 years, it shall be transfeered on a monthly basis to the investor education fund as per notice issued by SEBI dated January 22, 2025.

The break-up of which is as under:

	March 31, 2026	March 31, 2025
Particulars	**Amount (Rs. In Lakhs)**	**Amount (Rs. In Lakhs)**
Opening Balance as on April 01, 2025	**593.00**	177.73
Add: Accrual during FY 2025-26	**2,664.42**	2,473.86
Add: Transfeered from uncliamed schemes (more than 3 years)	**170.94**	625.71
Less: Transferred to AMFI *	**1,220.85**	1,136.86
Less: Payable to AMFI (March 2026 accrual) *	**111.36**	100.07
Add: Investment Income FY 2025-26	**40.47**	24.04
Less: Spent during FY 2025-26	**1,599.73**	1,471.42
Closing Balance as on March 31, 2026	**536.89**	593.00

*In accordance with Chapter 10 of SEBI Master Circular for Mutual Funds dated June 27, 2024.

10 Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, the nomenclature of 'Dividend Option' under all the schemes of HSBC Mutual Fund has been revised to 'Income Distribution cum Capital Withdrawal Option' (IDCW), with effect from April 01, 2021.

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Notes to Accounts – Annexure I *(Contd...)*

To the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2026

11 Securities, excluding debt securities, where the non-traded investments which have been valued "in good faith" exceed 5% of the net assets at the end of the year is NIL.

12 Debt securities which have been valued at a price other than the price given by the independent valuation agencies at the end of the year is NIL.

13 **Disclosure of Risk-o-meter**

Scheme Name	Risk-o-meter level at end of the financial year i.e. March 31, 2026	Risk-o-meter level as on March 31, 2025	Number of changes in Risk-o-meter during the financial year (March 2025 to March 2026)
HSBC Arbitrage Fund	Low	Low	0

14 During the previous year, HSBC Securities and Capital Markets (India) Private Limited ("HSCI"), Sponsors of HSBC Mutual Fund) established a private limited company with limited liability to act as the "Trustee" of HSBC Mutual Fund. HSBC Trustees (India) Private Limited ("HTIP") was incorporated on 9 January 2024. Accordingly, HTIP has replaced the Board of Trustees of HSBC Mutual Fund w.e.f. 1 March 2024, and the Company through its Board of Directors has been discharging its obligations as the "Trustees" of the Fund from this date.

15 The Annual Accounts of the Schemes, prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the "Act") read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and clause 17.14 of SEBI Master Circular for Mutual Funds dated June 27, 2024, has been approved by the Board of Directors of HSBC Asset Management (India) Private Limited and HSBC Trustees (India) Private Limited* at their meetings held on July 16, 2026 and July 17, 2026 respectively. The audit report attached herewith refers to the said Annual Accounts. The aforesaid abridged accounts are an extract of the Annual Accounts and are prepared in accordance with clause 5.4 and format no. 3.B under the section of formats of SEBI Master Circular for Mutual Funds dated June 27, 2024 and other relevant circulars issued by the Securities and Exchange Board of India from time to time.

Document remediated as per WCAG 2.2 Level AA standards

Voting Policy and Procedures

In view of para 6.16 of SEBI Master Circular on Mutual Funds dated June 27, 2024 related to "Role of Mutual Funds in Corporate Governance of Public Listed Companies", HSBC AMC has formulated its "Policy for Proxy Voting in Public Listed Companies". The said policy is available on our website and the details of actual exercise of proxy votes, the summary of votes casted and the auditor's certificate is forming part of our full Annual Report for the Financial Year 2025 – 26 which has been uploaded on our website at http://www.assetmanagement.hsbc.co.in

Document remediated as per WCAG 2.2 Level AA standards

Statutory Details & Disclaimers

All the returns have been sourced from Mutual Funds India Explorer software. The performance of the schemes and the benchmark is calculated on a total return basis. This document has been prepared by HSBC Asset Management (India) Private Limited (HSBC) for information purposes only with an intent to provide market overview and should not be construed as an offer or solicitation of an offer for purchase of any of the funds of HSBC Mutual Fund. All information contained in this document (including that sourced from third parties), is obtained from sources, which HSBC/third party, believes to be reliable but which it has not been independently verified by HSBC/the third party. Further, HSBC/the third party makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy or completeness of such information. The information and opinions contained within the document are based upon publicly available information and rates of taxation applicable at the time of publication, which are subject to change from time to time.

Expressions of opinion are those of HSBC only and are subject to change without any prior intimation or notice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed or recommended in this report and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/ HSBC Asset management (India) Private Limited and/or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information/opinion herein. Neither this document nor the units of HSBC Mutual Fund have been registered in any jurisdiction. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website at www.assetmanagement.hsbc.co.in. Investors are requested to note that as per SEBI (Mutual Funds) Regulations, 1996 and guidelines issued thereunder, HSBC AMC, its employees and/ or empaneled distributors/agents are forbidden from guaranteeing/promising/assuring/predicting any returns or future performances of the schemes of HSBC Mutual Fund. Hence, please do not rely upon any such statements/commitments. If you come across any such practices, please register a complaint via email at investor.line@mutualfunds.hsbc.co.in

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

Document remediated as per WCAG 2.2 Level AA standards

Important Updates

Nomination is a facility that enables an individual unitholder (including sole proprietor of sole proprietary concern) to nominate a person, who can claim the Units held by the unitholder or the redemption proceeds thereof in the event of death the unitholder. Hence do not forget to update your Nominee details in the folio. Please visit (https://invest.assetmanagement.hsbc.co.in/auth/login) for updation.

Useful Links for self service options

- **Use our 24 x 7 Chatbot - "ASKME" for any queries or service request:**
  visit: **https://invest.assetmanagement.hsbc.co.in**

SMS your request to HSBC Mutual Fund

- **Latest NAV :** Send SMS as HSBCMF NAV <Scheme Code> to 56767
  Example: HSBCMF NAV F03
- **Valuation Service on registered mobile No. :** Send SMS as HSBCMF VAL <folio_number> to 56767
  Example: HSBCMF VAL 123456
- **Annual Report :**
  For Electronic Copy: Send SMS as HSBCMFARE <folio_number> to 567678080
  Example: HSBCMF ARE 123456

  For Physical Copy: Send SMS as HSBCMFARP <folio_number> to 567678080
  Example: HSBCMF ARP 123456
- **Half Yearly Portfolio :**
  For Electronic Copy: Send SMS as HSBCMFHPE <folio_number> to 567678080
  Example: HSBCMF HPE 123456

  For Physical Copy: Send SMS as HSBCMFHPP <folio_number> to 567678080
  Example: HSBCMF HPP 123456

Missed Call Service

- You can give a missed call to 9212900020 to get the total valuation via SMS and a statement on your registered email ID

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Book-Post

If undelivered please return to:

Computer Age Management Services Private Limited (CAMS)
Unit: HSBC Mutual Fund
New No. 10, M.G.R Salai, Nungambakkam, Chennai - 600034.

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

HSBC Asset Management (India) Private Limited

CIN NO: U74140MH2001PTC134220

9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai 400 063, India.
Website : www.assetmanagement.hsbc.co.in

Description	Toll Free Number	Email ID
Investor related queries	1800-4190-200/1800-200-2434	investor.line@mutualfunds.hsbc.co.in
Online related queries	1800-4190-200/1800-200-2434	onlinemf@mutualfunds.hsbc.co.in
Investor (Dialing from abroad)	+91 44 39923900	investor.line@mutualfunds.hsbc.co.in

To get your updated account statement email us at : "mfsoa@mutualfunds.hsbc.co.in"

We're always here to help you, so feel free to reach out to us

Self-service request at your Fingertips

• Visit Website • Invest Online • Insta Statement • Download Forms
• Transact via Whats App • Use 24/7 ChatBot - Ask Me

Remember, you can also find out more via our social media handles !

Please check our website www.assetmanagement.hsbc.co.in for an updated list of Official Points of Acceptance of HSBC Mutual Fund.

CAMS SERVICE CENTRES/CAMS LIMITED TRANSACTION POINTS/CAMS COLLECTION CENTRES

For details on CAMS Service Centres, please visit www.camsonline.com

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VSTS Corporation