

Product Note

HSBC Arbitrage Fund (HATF)

Arbitrage - An open ended scheme investing in arbitrage opportunities.

October 2023

Fund Category	Fund Manager	Benchmark ¹	Inception Date	AUM ^{&}
Arbitrage Fund	Praveen Ayathan, Hitesh Gondhia [@] and Mahesh Chhabria	Nifty 50 Arbitrage Index	30 June 2014	Rs. 1736.69 Cr

Portfolio	% to net assets	Sector - Allocation	% to net assets
HDFC Bank Limited	5.09%	Banks	13.12%
Reliance Industries Limited	4.76%	Government Securities	12.83%
Tata Power Company Limited	3.55%	Internal - Mutual Fund Units	10.48%
Bharat Forge Limited	2.80%	Finance	8.46%
Indus Towers Limited	2.49%	Petroleum Products	7.76%
Zee Entertainment Enterprises Limited	2.39%	Reverse Repos/TREPS	4.14%
Canara Bank	2.26%	Power	3.56%
Ambuja Cements Limited	2.24%	Pharmaceuticals & Biotechnology	3.05%
Wipro Limited	2.21%	Industrial Products	2.87%
Manappuram Finance Limited	2.18%	Aerospace & Defense	2.86%

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

Fund Strategy

- HSBC Arbitrage Fund is Rs. 1,736 cr.
- Currently, allocation towards hedged equities or cash futures arbitrage is at ~72%. The fund aims to have exposure in companies where the fund managers believes, dividend arbitrage opportunities exists.
- The rest is invested in Liquid Fund, G-Secs and Bank FDs (Margin Placements). The debt portion is actively managed but has a conservative maturity profile and a high quality focus: AAA/Sovereign/A1+ portfolio and no exposure to any low rated Debt Instruments or any Perpetual Bonds.

Investment Objective

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

Entry Load*: Not Applicable, Exit Load: On and before 1 month from the date of allotment or Purchase applying First in First out basis : 0.5%. After 1 month from the date of allotment or purchase : NIL * In terms of 10.4.1.a. of SEBI Master Circular on Mutual Funds dated May 19, 2023, no entry load will be charged to the investor effective August 1, 2009.

Month End Total Expenses Ratios (Annualized)² – Regular³: 0.94%, Direct: 0.27%

¹ As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark effective from 01 December 2021.

² TER Annualized TER including GST on Investment Management Fees

³ Continuing plans

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

[&]For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website: <https://www.assetmanagement.hsbc.co.in/en/mutual-funds/investor-resources/information-library/#accordion1446811090-4>

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

Source – HSBC Mutual Fund, Data as of 30 September 2023. Past performance may or may not be sustained in the future and is not indicative of future results.

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

HSBC Arbitrage Fund philosophy


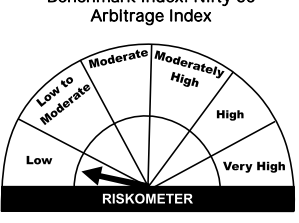
- To enters into simultaneous transactions of a long position in cash and exactly off-setting short position in futures.
- Towards the expiry or before the expiry of the derivatives contract, the positions are reversed or rolled over.

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

Why HSBC Arbitrage Fund?

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

Product Label

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
<p>HSBC Arbitrage Fund</p> <p>Arbitrage Fund – An open ended scheme investing in arbitrage opportunities.</p> <p>This product is suitable for Investors who are seeking*:</p> <ul style="list-style-type: none"> • Generation of reasonable returns over short to medium term • Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instrument. 		<p>Benchmark Index: Nifty 50 Arbitrage Index</p> 

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

Note on Risk-o-meters: Riskometer is as on 30 September 2023, Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme

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

Past performance may or may not be sustained in the future and is not indicative of future results. Source: HSBC Mutual Fund, data as on 30 September 2023

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