

## Product Note

### HSBC Arbitrage Fund (HATF)

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

July 2023

Fund Category	Fund Manager	Benchmark	Inception Date	AUM
Arbitrage	Ritesh Jain and Praveen Ayathan	Nifty 50 Arbitrage Index	30 June 2014	Rs. 1816.94 Cr

Portfolio	% of net assets
Power Finance Corporation Limited	3.99%
HDFC Bank Limited	3.81%
Tata Power Company Limited	3.79%
ICICI Bank Limited	3.39%
IDFC Limited	3.10%
Zee Entertainment Enterprises Limited	2.35%
Havells India Limited	2.24%
Indus Towers Limited	2.18%
Reliance Industries Limited	2.04%
Biocon Limited	1.89%

Sector - Allocation	% of net assets
Finance	17.60%
Banks	15.39%
Mutual Fund	11.27%
Government Securities	11.12%
Pharmaceuticals & Biotechnology	4.14%
Power	3.79%
Consumer Durables	3.77%
Petroleum Products	3.23%
Chemicals & Petrochemicals	2.79%
Entertainment	2.41%

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 has AUM of Rs.1918 cr.
- Currently, allocation towards hedged equities or cash futures arbitrage is at ~66% with a tilt towards Large caps. The fund in the current series as well have exposure in companies where the fund managers believes, dividend arbitrage opportunities exists.
- The rest is invested in Liquid Fund, G-Secs and Bank FDs (Margin Placements).The debt portion is actively managed but has a conservative maturity profile and a high quality focus: AAA/Sovereign/A1+ portfolio and no exposure to any low rated Debt Instruments or any Perpetual Bonds.

### Product Note

Data as on 30 June, 2023 unless otherwise given

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

## Why HSBC Arbitrage Fund?

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

## Investment Objective

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

## HSBC Arbitrage Fund philosophy

- Enters into simultaneous transactions of a long position in cash and exactly off-setting short position in futures.
- Equity position is completely hedged at trade initiation.
- Towards the expiry or before the expiry of the derivatives contract, the positions are reversed or rolled over.

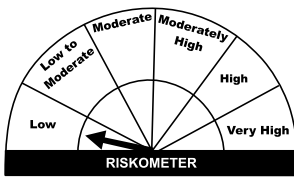
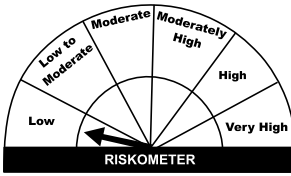
Load / Expenses	
Entry Load	NA
Exit Load - On and before 1 month from the date of allotment or Purchase applying First in First out basis - 0.5%. After 1 month from the date of allotment or purchase – Nil	
Month End Total Expense Ratios (Annualised) <sup>2</sup>	
Expense ratio (Other than Direct)	0.94%
Expense ratio (Direct)	0.27%

<sup>2</sup> TER Annualized TER including GST on Investment Management Fees

Note - Sonal Gupta shall be dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund.

## Product Label

### HSBC Arbitrage Fund (Erstwhile L&T Arbitrage Opportunities Fund)

 <p>Investors understand that their principal will be at Low risk</p>	<p><b>Arbitrage Fund</b> – An open ended scheme investing in arbitrage opportunities.</p> <p><b>This product is suitable for investors who are seeking*:</b></p> <ul style="list-style-type: none"> <li>• Generation of reasonable returns over short to medium term</li> <li>• Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instrument.</li> </ul> <p>* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	<p><b>Benchmark Index: Nifty 50 Arbitrage Index</b></p> 
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**Note on Risk-o-meters:** Riskometer is as on 30 June 2023, Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme

Past performance may or may not be sustained in the future. Source: HSBC Asset Management India, data as on 30 June 2023

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