HSBC Mutual Fund

HSBC Arbitrage Fund

An open ended scheme investing in arbitrage opportunities

May 29, 2026

SEBI Registered Name/Number-HSBC Mutual Fund/MF/046/02/5

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About HSBC Arbitrage Fund

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

Market Actions & Overview

- The average roll spreads captured this month was 6.63% annualized.
- Allocation towards hedged equities is at 72.13.
- Mid-month roll levels were at 67 bps and continued until the start of rollover week.
- The levels moved down to 62-64 bps levels during the week, which saw most of the market volumes.
- Regulatory requirement of additional margin for rolls on the expiry day pushed the levels to 69-70 bps for some stocks on the final day.
- NSE NIFTY decreased 0.35% in May'26 (MTD) – after increasing by 7.5% in Apr'26.
- This month to date, FIIs have sold equities close to $3.5 bn. In Apr'26 FIIs sold $7.3 bn in cash.
- AUM of Arbitrage Funds increased compared to previous expiry (Rs 3,11,047 cr vs Rs 3,04,421 cr).
- This month average roll basis was higher than previous expiry, 63.5 bps vs 56 bps previous month.

Market Movements (Domestically)

- Markets saw range bound activity this month with FII outflows declining further.
- Prime Minister of India gave a sobering address to the nation on 10 May, calling for a return to the crisis time discipline seen during COVID to protect forex reserves and minimize the impact of soaring crude oil prices – the messaging was more of an appeal, calling for a "national responsible living".
- Headline CPI inflation ticked up, to 3.48% in Apr-26 (Prior: 3.4%; Est: 3.68%), albeit with food inflation picking up further to 4.2% YoY (Prior: 3.9%) as favorable base effects fade. Monthly momentum stayed benign at 0.3% MoM.
- This month the govt. hiked fuel prices in multiple tranches and further tightened gold import rules - advance authorization for bullion shipments capped at 100 kilos, and subsequent imports only allowed after 50% of prior shipments are exported - this is in addition to the 15% duty hike.
- Q4FY26 Wrap: More hits than misses, but the quality of the beat varies sharply by sector - What drove the earnings matters more than the headlines.

Inception Date
30th June 2014

Benchmark[1]
Nifty 50 Arbitrage Index

Minimum Inv. Amount
Rs. 5,000 & in multiples of Re. 1/- thereafter
Additional Inv. Amount
Rs. 1,000 & in multiples of Re. 1/- thereafter

Exit Load
- Any redemption / switch-out of units on or before 1 month from the date of allotment: 0.25%
- If units are redeemed or switched out after 1 Month from the date of allotment: NIL

Plans & Options
Regular & Direct Plans
Growth & IDCW^
Monthly & Quarterly
(Payout & Re-investment)
^refer note on slide 5

Fund Managers[2]
For Arbitrage Portfolio
Praveen Ayathan
For Debt Portfolio
Mahesh Chhabria
Mohd. Asif Rizwi

[1]As per clause 1.9 of the SEBI Master Circular dated June 27, 2024, 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]Fund Manager -Praveen Ayathan - Effective date 30 Jun 2014. Fund Manager -Mahesh Chhabria - Effective date 15 Jul 2023. Fund Manager - Mohd Asif Rizwi - Effective date - 01 Feb 2025.

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Global Markets

- Global equity markets around the world have been mixed this month.
- In the US, inflation rate leaped to a nearly three-year high of 3.8% in April (vs 3.3% prior & 3.7% est.) because of higher gas prices.
- On a monthly basis, the CPI rose 0.6%, following the March's increase of 0.9%, matching analysts' estimate. This rise in inflation could force the FED to shelve an interest-rate cut this summer.
- In Japan, the 20-year JGB touched 3.6%, the highest since 1996. The 30-year has crossed 4% for the first time ever since launch in 1999. Three things are stacked together — new PM wants to spend more and cut taxes.
- Inflation is running at 3%, and the BoJ has stopped buying bonds. Japan's debt-to-GDP is 256%, more than double the US. For two decades Japan was the world's source of free money — that era seems to be ending.
- In the US, all the three major indices are trading positive this month (MTD) – NASDAQ having increased the most, by 7%.
- US10YR was trading higher as compared to the previous month 4.48 % vs 4.39% (Apr'26).
- US Dollar Index increased compared to last month: 99.1 vs 98 (Apr'26).
- Crude prices were very volatile this month as well and traded in the range of $93/bbl to $115/bbl - with current levels at $95.9/bbl.

The below table indicates the approximate average spread of arbitrage position and does not in any manner indicates any return potential of the scheme. Investors should not consider below as investment advice or recommendation. Past performance may or may not be sustained in future.

Series (Month)	~ Roll Spreads (Annualised)
Apr '26	6.63%
Mar '26	7.39%
Feb'26	6.77%
Jan' 26	6.91%
Dec'25	8.39%
Nov'25	7.10%
Oct'25	7.43%
Sep'25	6.96%
Aug'25	6.31%
July'25	6.92%
June'25	6.59%
May'25	7.23%

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Key triggers for June series

- US Iran developments and impact on commodities
- RBI policy outcome on June 5, 2026
- Demand impact of fuel inflation
- Monsoon advancement

Fund Positioning & Strategy

- The fund has exposure in companies where the fund manager believes, dividend arbitrage opportunities can exists.
- The rest is invested in schemes of HSBC Mutual Fund, G-Secs/ TBILLs and CP/CD's (including for Margin Placements). The debt portion is actively managed but has a conservative maturity profile and a high quality focus: AAA/Sovereign/A1+ portfolio and no exposure to any low rated Debt Instruments or any Perpetual Bonds as on May 29, 2026.

Disclaimer & Product Labelling

May 29, 2026

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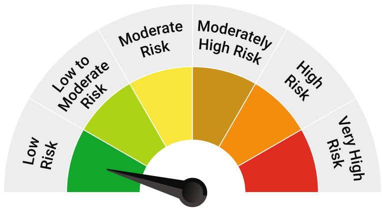

The risk of the scheme is Low Risk

Arbitrage Fund - An open ended scheme investing in arbitrage opportunities.

This product is suitable for investors who are seeking*

- Generation of reasonable returns over short to medium term
- Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instruments

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

Riskometer is as on 30 April 2026,

Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of the particular Scheme.

Benchmark: Nifty 50 Arbitrage Index

The risk of the benchmark is Low Risk

Source: Bloomberg, MOSL & HSBC MF estimates as on 30 April 2026 end or as latest available

^Note: IDCW stands for 'Income Distribution cum Capital Withdrawal option'. The amounts can be distributed out of investors' capital (Equalizati on Reserve), which is part of the sale price that represents realized gains, as may be declared by the Trustees at its discretion from time to time (subject to the availability of distributable surplus as calculated in accordance with the Regulations).

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The details pertaining to Benchmark & Scheme Risk-o-meter is as on 30 April 2026.

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

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