HSBC Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities. No investment in InvITs is permitted.)

August 27, 2026

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

HSBC Mutual Fund

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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 6.24% annualized.
- Allocation towards hedged equities is at 70.43.
- Rollovers started at 65-66 bps levels. The levels were stable only dropping to 60-61 levels until a day prior to expiry.
- On the day of expiry, the levels were back at 67 bps but with little participation. This was the first expiry post introduction of CAS.
- NSE NIFTY declined by 0.2% in August 2026 (MTD) – after increasing by 2.2% in July 2026.
- This month to date, FIIs bought equities worth $2.7 bn. In July 2026 FIIs bought close to $2.4 bn in cash.
- AUM of Arbitrage Funds increased compared to previous expiry (Rs 3, 52,759 crs vs Rs 3, 44,349 crs).
- This month average roll basis was higher than previous expiry, 60 bps vs 55 bps previous month.

Market Movements (Domestically)

- Markets were in profit booking mode this month after two consecutive months of positive returns.
- Headline CPI inflation rose to 4.45% in July 2026 (Prior: 4.38%; est: 4.32%), with food inflation rising further to 5.52% YoY (Prior: 5.32%). However, monthly print softened to 0.9% MoM (Prior: 1% MoM).
- The RBI MPC kept policy rates and neutral stance unchanged on 05 August, while reinforcing its data-driven wait-and-watch approach. Also, there were no material changes to the RBI's growth/inflation forecasts (6.7%/5%, respectively) - with slightly downward revision to its FY27 inflation forecast by 10 bps vs June.
- RBI announced early closure of the swap facility for FCNR-B deposits on the back of stronger than expected response. The swap window would now be available up to 31 Aug vs the earlier date of 30 Sep.
- This month Call Auction Session (CAS) framework was introduced by exchange. Markets saw volatility in the first few sessions of CAS due to low participation, eventually giving way to subdued swings.
- With FIIs flows coming back – going forward markets will likely remain less volatile, albeit range bound due to crude price fluctuations.

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 7.22 of the SEBI Master Circular for Mutual Funds dated March 20, 2026 on Benchmarks for Mutual Fund Schemes' has two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark.
[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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August 27, 2026

Global Markets

- Global equity markets have been positive this month.
- The Fed kept its policy rate unchanged at 3.5-3.75% on 29 July 2026, despite expectations of a hike. However, there were three dissents—the most since Sep-16—in favor of a 25 bps hike, as Chair eventually witnessed the "family fight" he sought.
- US CPI edged lower to 3.4% in July 2026 as petrol prices declined, the print was down from 3.5% in June & 4.2% in May and was in line with expectations. This further reduces the odds of an interest rate hike from the Fed next month.
- European markets remain bullish and are inching towards fresh all-time highs.
- UK CPI for the month of Jul'26 rose to 2.9% from a 15-month low of 2.6% in June 2026. It is estimated that the July inflation bounce will likely prompt the Bank of England to hold interest rate at 3.75% during its September 2026 meeting.
- In the US, all the 3 three major indices are trading positive this month (MTD) – NASDAQ having increased the most, by 3.3%.
- US10YR was trading lower as compared to the previous month, 4.63% vs 4.74% (July 2026).
- US Dollar Index decreased compared to last month: 98.9 vs 99.9 (July 2026).
- Crude prices rose as high as $93/bbl. with current levels at $86/bbl. vs $90/bbl. (July 2026).

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)
Aug'26	6.24%
July'26	6.63%
June'26	7.41%
May'26	6.63%
Apr '26	7.39%
Mar '26	6.77%
Feb'26	6.91%
Jan' 26	8.39%
Dec'25	7.10%
Nov'25	7.43%
Oct'25	6.96%
Sep'25	6.31%

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Key trigger for September series

- Global AI trade and capital flows
- US sanctions on Iran
- Oil prices
- Jackson Hole Symposium
- Beginning of festive season
- Gold has begun to rally once again

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 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 August 27, 2026.

Disclaimer & Product Labelling

August 27, 2026

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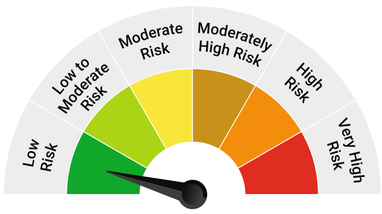

The risk of the scheme is Low Risk

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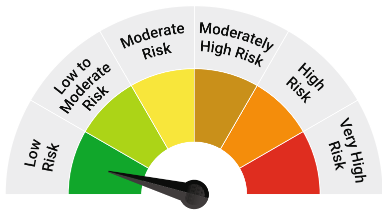
This product is suitable for investors who are seeking*

- 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 instruments in CDs, government securities with maturities upto 1 year, mutual fund units of liquid, money market or schemes having Macaulay duration less than 1 year for meeting liquidity and margin requirements

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them. Refer to the Scheme Information Document (SID) of HSBC Arbitrage Fund for more details.

Riskometer is as on 31 July 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

As per AMFI Tier I Benchmark i.e.
Benchmark Index: Nifty 50 Arbitrage Index

Source: Bloomberg, MOSL & HSBC MF estimates as on 31 July 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 31 July 2026.

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