



HSBC Mutual Fund

HSBC Arbitrage Fund

An open ended scheme investing in arbitrage opportunities

October 01, 2025



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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 6.96% annualized.
- Allocation towards hedged equities is at 73.85 with tilt towards large cap.
- No duration or credit risk is taken on the debt side and that will pull down the final returns a bit.
- This expiry rolls shifted from last Thursday to last Tuesday.
- Rolls started at a decent 53-54 bps levels providing good churn volumes but moved higher at 54-55 bps in the later part of the rollover week. By the end of rollover, levels dropped to 50-52 bps levels at healthy volumes. Tuesday saw roll levels of 60 bps and higher in the final trading hours of the day but with little volumes.
- The NSE NIFTY gained 0.75% in Sep'25 (MTD) – after declining by 1.4% in Aug'25.
- This month to date, FII have sold equities close to \$2 bn. In Aug'25 FIIs sold \$3.9 bn in cash.
- Allocation towards hedged equities is at 73.85 with tilt towards large cap.
- AUM of Arbitrage Funds marginally increased compared to previous expiry (Rs 3,11,505 cr vs Rs 3,11,203 cr). This month average roll basis was lower than previous expiry, 53.43 bps vs 57.06 bps previous month.

Market Movements

- The big news this month was the imposition of new requirements and \$100k fees on H1-B visas by the US administration. However, relief was granted by Press Secretary's clarifications (after a day). Analysts argue that the impact is unlikely to be disruptive and Indian IT companies anyway have been reducing their reliance on H1-B visas, using them largely for convenience or to bridge the gap in skill availability.
- Meanwhile, Indian PM gave an "address to the Nation" reiterating savings due to GST reforms.
- Headline CPI inflation ticked up marginally to 2.07% in Aug-25, largely in-line (Est: 2.2%, prior: 1.55%). A favorable base effect and lower-than-expected sequential increase in food prices (0.7% MoM; -0.7% YoY) remain the key drivers. Headline CPI rose 0.5% MoM (1% prior) – the lowest in three months.
- Core inflation (ex-intoxicants) also rose, to 4.3% (vs 4.2% prior), with monthly momentum too rising (0.4% MoM vs 0.3% prior).
- Going forward all eyes will be on Q2 earnings slated to be released from early next month.

Inception Date

30th June 2014

Benchmark¹

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

For Arbitrage Portfolio

Praveen Ayathan

For Debt Portfolio

Mahesh Chhabria

Mohd. Asif Rizwi

¹As 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.

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Global Markets

- Global equity markets around the world have been positive this month.
- US CPI came broadly in line for the month of Aug'25. Headline was a touch hot at 0.4% m/m, but core stayed at 0.3%, leaving YoY rates at 2.9% and 3.1% respectively, that's up from 2.7% in July and marks the steepest annual increase since Jan'25.
- The FOMC cut 25 bps as widely expected to 4.0-4.25%, with mixed forward-looking news. Both the dots and statement were more dovish with small changes to the economic outlook.
- The European Central Bank left interest rates unchanged on 11 Sep as expected but offered no clues about its next move.
- The ECB halved its key rate in the year to June but has been on hold at 2% since, arguing that the economy of the 20-country euro zone is in a "good place" even if more easing cannot be ruled out.
- In the US, all the three major indices are trading positive this month (MTD) - with NASDAQ having increased the most, by 5%.
- US10YR was slightly lower as compared to the previous month 4.1% vs 4.24% (Aug'25).
- US Dollar Index was slightly lower compared to last month: 97.7 vs 97.8 (Aug'25).
- Crude prices declined this month: \$65.9/bbl vs \$68/bbl (Aug'25).

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)
Sep'25	6.96%
Aug'25	6.31%
July'25	6.92%
June'25	6.59%
May'25	7.23%
Apr '25	6.87%
Mar '25	9.14%
Feb'25	6.78%
Jan' 25	7.73%
Dec' 24	7.63%
Nov'24	7.46%
Oct'24	8.22%

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Key Triggers for October Series:

- RBI policy outcome
- Q2 FY26 quarterly updates and results
- Developments around US-India trade talk
- Festive seasons sale

Fund Positioning & Strategy

- The fund in the current series as well have exposure in companies where the fund managers 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 October 01, 2025.

Disclaimer & Product Labelling

October 01, 2025

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

This product is suitable for investors who are seeking*

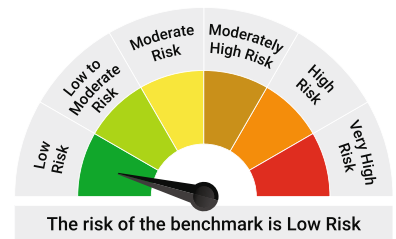
- Generation of reasonable returns over short to medium term
- Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instruments

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

Riskometer is as on Aug 31, 2025.

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



Source: Bloomberg, MOSL & HSBC MF estimates as on October 01, 2025 end or as latest available

[^]Note: IDCW stands for 'Income Distribution cum Capital Withdrawal option'. The amounts can be distributed out of investors' capital (Equalized 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 August 31, 2025.

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