



HSBC Mutual Fund

HSBC Arbitrage Fund

An open ended scheme investing in arbitrage opportunities

October 30, 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 7.43% annualized.
- Allocation towards hedged equities is at 75.43 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.
- The expiry rolls started at 57-58 levels, but the actual market volumes were captured at 56 bps levels.
- The levels were maintained at 55-56 bps for major part of the week. Finally, on Tuesday rolls dropped to 52-53 bps levels but at stable volumes.
- NSE NIFTY gained 5.4% in October 2025 (MTD) – after increasing by 0.75% in September 2025.
- This month to date, FII's have bought equities close to \$2.5 bn. In September 2025, FII's sold \$2.1 bn in cash.
- AUM of Arbitrage Funds slightly increased compared to previous expiry (Rs 3,20,215 crs vs Rs 3,11,506 crs). This month average roll basis was higher than previous expiry, 57 bps vs 53 bps previous month.

Market Movements

- Markets cheered INDIA/US trade deal chatter on the street with the likelihood of tariffs being reduced to ~15-16%.
- This coupled with the fact that NIFTY EPS downgrades have stabilised so far in the earning season – in fact, NIFTY EPS has seen a minor uptick of 1% in last 1 month provided impetus to the markets.
- With H2 recovery likely in consumption, financials, we could see an earning upgrade cycle finally playing out.
- Headline CPI inflation declined to a 98-month low of 1.54% in September 2025, in line with estimates (Est: 1.55%, Prior: 2.07%).
- A favourable base effect and sequential easing in food prices (-0.5% MoM; -2.3% YoY) were the key drivers.
- Headline CPI rose 0.1% MoM (0.5% prior) – the lowest in six months.
- In line with consensus, RBI decided to keep the policy repo rate unchanged at 5.5% on 1st October.
- RBI once again revised down its FY26 inflation estimate (the fourth revision since April), now projecting 2.6% versus 3.1% earlier.

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 Managers²

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.

²Fund 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 positive this month.
- US CPI was softer than expected for September 2025, albeit with some tariff effects visible in certain sectors. Headline CPI was lower than expected at 0.3% m/m (0.4% est) and was up 3.0% y/y (3.1% est).
- Nevertheless, a 25 bps Fed cut this week is locked in, with the current paucity of economic data (White House announces that Oct CPI is unlikely to be released) making a December cut near-certain as well.
- Meanwhile in the UK, CPI stagnated from August to September, while the year-on-year reading remained unchanged at 3.8% annually (est. 4%). It marks the third successive month the rate remains unchanged.
- The September 2025 print raised hopes that the Central Bank could cut interest rates sooner than previously expected, with markets moving their bets for the first full quarter-point reduction from March to February next year.
- In the US, all the three major indices are trading positive this month (MTD) - with NASDAQ having increased the most, by 3.8%.
- US10YR was lower as compared to the previous month 4% vs 4.15% (September 2025).
- US Dollar Index increased compared to last month: 98.8 Vs 97.8 (September 2025).
- Crude prices declined this month: \$64.2/bbl vs \$67/bbl (September 2025).

The below table indicates the approximate average spread of arbitrage position and does not in any manner indicate 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)
Oct'25	7.43%
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%

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Key triggers for November series

- US FOMC outcome
- Development around trade deals (US - China - India)
- Remainder of Q2 result

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 30, 2025.

Disclaimer & Product Labelling

October 30, 2025

HSBC Arbitrage Fund

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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 30 September 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 30, 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 30 September 2025,

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