

Product Note

HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

November 2025

Fund Category	Fund Manager	Benchmark ¹	Inception Date*	AUM ^{&}
Arbitrage Fund	Praveen Ayathan, Mahesh Chhabria and Mohd. Asif Rizwi	Nifty 50 Arbitrage Index	30 June 2014	Rs. 2,402.56 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
ICICI Bank Limited	7.55%	7.55%	0.00%	Banks	33.43%
HDFC Bank Limited	7.07%	7.07%	0.00%	Internal - Mutual Fund Units	16.12%
State Bank of India	5.13%	5.13%	0.00%	Finance	10.79%
Reliance Industries Limited	4.70%	4.70%	0.00%	Debt Instrument	7.50%
Axis Bank Limited	4.24%	4.24%	0.00%	Petroleum Products	4.95%
PNB Housing Finance Limited	3.20%	3.20%	0.00%	Retailing	4.39%
ETERNAL Limited	3.06%	3.06%	0.00%	Power	2.93%
Sammaan Capital Limited	2.88%	2.88%	0.00%	Agricultural Food & other Products	2.53%
RBL Bank Limited	2.38%	2.38%	0.00%	Ferrous Metals	2.20%
Bank of Baroda	1.75%	1.75%	0.00%	Pharmaceuticals & Biotechnology	2.01%

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 Approach

- 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.

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.

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
(Effective date: August 01, 2023)

Month End Total Expenses Ratios (Annualized)² – Regular³: 0.93%, Direct: 0.28%

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 TER Annualized TER including GST on Investment Management Fees

³ Continuing plans

*For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website: <https://www.assetmanagement.hsbc.co.in/en/mutual-funds/investor-resources/information-library#&accordion1446811090=4>

Note: The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s).

Source – HSBC Mutual Fund, Data as of 31 October 2025. **Past performance may or may not be sustained in future and is not a guarantee of any future returns.**

Note : Please refer to Scheme Information Document for more details on Asset Allocation of the scheme.

Why 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, FIIs have bought equities close to \$2.5 bn. In September 2025, FIIs 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.

Source – Bloomberg, HSBC Mutual Fund

Note – Details provided above is as on 31 October 2025 or as latest available. Views provided above are based on information available in public domain at this moment and subject to change. Investors should not consider the same as investment advice. Please consult your financial advisor for all your investment decision.

Note : Fund Manager manages the Fund as per prevailing Market condition. The above philosophy shall not be treated as investment strategy which is subject to Market condition at a given point of time.

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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).

Key Triggers :

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

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)
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%

Fund Manager - Praveen Ayathan Effective 30 Jun 2014. Total Schemes Managed – 5, Fund Manager - Mahesh Chhabria Effective 15 Jul 2023. Total Schemes Managed - 16
 Fund Manager - Mohd Asif Rizwi Effective 01 Feb 2025. Total Schemes Managed - 15

Lump Sum Investment Performance										Inception Date	
Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		3 Years		5 Years		10 Years		Since Inception		
	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount in Rs	Returns %			Amount in Rs		Returns %
HSBC Arbitrage Fund – Regular Plan~	10625	6.25	12198	6.84	13069	5.49	17409	5.69	19310	5.97	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10774	7.74	12448	7.56	13429	6.07	17128	5.52	18990	5.82	
Additional Benchmark (Nifty 50 TRI)	10759	7.59	14781	13.90	23449	18.56	36060	13.67	38832	12.70	
HSBC Arbitrage Fund – Direct Plan~	10695	6.95	12444	7.55	13515	6.20	18525	6.35	20719	6.63	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10774	7.74	12448	7.56	13429	6.07	17128	5.52	18990	5.82	
Additional Benchmark (Nifty 50 TRI)	10759	7.59	14781	13.90	23449	18.56	36060	13.67	38832	12.70	

Past performance may or may not be sustained in future and is not a guarantee of any future returns. The performance details provided herein are of Regular as well as Direct Plan - Growth Option. Returns on ₹10,000 are point-to-point returns for the specific time period, invested at the start of the period. The returns for the respective periods are provided as on last available NAV of October 2025 for the respective schemes. Returns for 1 year and above are Compounded Annualized. Returns for less than 1 year is Simple Annualized. Load is not taken into consideration for computation of performance. Different plans shall have a different expense structure. The expenses of the Direct Plan under the Scheme will be lower to the extent of the distribution expenses / commission charged to the Regular Plan.

As per clause 5.9.1 of the SEBI Master Circular dated June 27, 2024, the scheme returns vis-à-vis the benchmark return (Total Return Index) shall be disclosed are provided from the date of allotment of units.

Post merger performance of the surviving scheme, arising out of merger of schemes with similar features, is computed as per the provisions of clause 13.4 of the SEBI Master Circular dated June 27, 2024, on Disclosure of Performance of Schemes post-merger using the weighted average performance of both transferor and transferee schemes. In other cases, performance is computed using the Applicable NAV of the surviving/continuing schemes. ~ Face value Rs 10



SIP Performance HSBC Arbitrage Fund - Reg					Inception Date: 30 Jun 14
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception	
Total amount invested (₹)	120000	360000	600000	1360000	
Market Value as on October 31, 2025 (₹)	123,772	398,219	701,760	1,902,465	
Scheme Returns (%)	5.89	6.66	6.20	5.75	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	124,565	403,112	713,939	1,907,680	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.14	7.48	6.89	5.79	
Nifty 50 TRI - Additional Benchmark (₹)	129,194	440,587	849,865	3,147,044	
Nifty 50 TRI - Additional Benchmark Returns (%)	14.54	13.57	13.89	14.01	

SIP Performance HSBC Arbitrage Fund – Direct Plan					Inception Date: 30 Jun 14
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception	
Total amount invested (₹)	120000	360000	600000	1360000	
Market Value as on October 31, 2025 (₹)	124,216	402,466	714,352	1,980,156	
Scheme Returns (%)	6.59	7.38	6.91	6.42	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	124,565	403,112	713,939	1,907,680	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.14	7.48	6.89	5.79	
Nifty 50 TRI - Additional Benchmark (₹)	129,194	440,587	849,865	3,147,044	
Nifty 50 TRI - Additional Benchmark Returns (%)	14.54	13.57	13.89	14.01	

Past performance may or may not be sustained in future and is not a guarantee of any future returns. For SIP returns, monthly investment of Rs. 10,000/- invested on the 1st day of every month has been considered. SIP Return are calculated on XIRR basis. IDCW are assumed to be reinvested and bonus is adjusted. Load is not taken into consideration. Mayank Chaturvedi shall be the fund manager for investments in foreign securities (wherever applicable) for all the schemes of HSBC Mutual Fund. w.e.f. October 01, 2025. Source: HSBC Mutual Fund, data as on 31 October 2025

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Product Label

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter (as applicable)
<p>HSBC Arbitrage Fund</p> <p>(An open ended scheme investing in arbitrage opportunities)</p> <p>This product is suitable for investors who are seeking* :</p> <ul style="list-style-type: none">• 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 instrument.	 <p>The risk of the scheme is Low Risk</p>	<p>As per AMFI Tier I Benchmark i.e. Benchmark Index: Nifty 50 Arbitrage Index</p>  <p>The risk of the benchmark is Low Risk</p>

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

Note on Risk-o-meters: Riskometer is as on 31 October 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 that particular scheme
Note : Please refer to Scheme Information Document for more details on Asset Allocation of the scheme.

Past performance may or may not be sustained in future and is not a guarantee of any future returns. Source: HSBC Mutual Fund, data as on 31 October 2025

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