

Product Note

HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

July 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. 2,443.74 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
State Bank of India	7.10%	7.10%	0.00%	Banks	32.67%
HDFC Bank Limited	5.79%	5.79%	0.00%	Internal - Mutual Fund Units	19.66%
ICICI Bank Limited	5.64%	5.64%	0.00%	Finance	6.14%
Axis Bank Limited	3.59%	3.59%	0.00%	Pharmaceuticals & Biotechnology	4.41%
IDFC First Bank Limited	3.48%	3.48%	0.00%	Debt Instrument	3.97%
RBL Bank Limited	2.49%	2.49%	0.00%	Net Current Assets	3.72%
Laurus Labs Limited	2.35%	2.35%	0.00%	Power	2.84%
Tata Power Company Limited	2.17%	2.17%	0.00%	Automobiles	2.31%
Reliance Industries Limited	1.96%	1.96%	0.00%	Petroleum Products	2.30%
Tata Motors Limited	1.78%	1.78%	0.00%	Agricultural Food & other Products	2.08%

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 June 27, 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: 0.90%, Direct: 0.23%

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 30 June 2025. **Past performance may or may not be sustained in the future and is not indicative of future results.**

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

Why HSBC Arbitrage Fund?

- Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instruments
- Aim to provide reasonable liquidity and risk adjusted performance to suit the investor's requirements
- Maintains optimum allocation across arbitrage instruments
- Aims to generate opportunity of reasonable returns over short to medium term

Market Actions & Overview

- The average roll spreads captured this month was 6.59% annualized.
- Allocation towards hedged equities is at 71.82 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 initial week saw rollover levels at 67-68 bps, but the levels couldn't sustain, although at good volumes.
- Start of rollover week the levels were down at 63-64 bps gradually falling to 62 bps.
- On expiry day, roll levels dropped to 59-61bps levels while volume levels were not consistent during the whole week.
- The NSE NIFTY gained 3.2% in June 2025 (MTD) after increasing by 1.7% in May 2025.

Market Movements

- Although the first half of the month, NSE NIFTY saw range-bound activity, the second half pushed up the markets at levels last seen in October 2024.
- RBI cut the Repo rate by 50 bps as against the general expectations of 25 bps rate cut, lowering the repo rate to 5.50%. The other, more interesting aspect of this 50 bps cut was that the RBI stated that the rate cut was front loaded to support economic growth.
- The RBI also cut the CRR by 100 basis points from 4% to 3% over the period September 25-Nov25. This would release close to Rs.2.25 lakh cr to the banking system.
- Headline CPI inflation declined again to 2.82% YoY in May (Consensus: 2.98%; Prior: 3.16%) – breaching the 3% handle for the first time since April 2019. This print is a 75-month low.

Global Markets

- Global equity markets around the world have been mixed this month.
- The FOMC held rates steady at 4.25-4.5%, on expected lines. However, the tilt was hawkish, with 2025 GDP growth revised lower (to 1.4% from 1.7%), and core PCE inflation revised higher (3.1% from 2.8%) – indicating that policymakers expect a tariff-led stagflation scenario in US this year.
- Headline CPI for the month of May 2025 was softer than expected at 0.1% (MoM) (0.2% est) and was up 2.4% (YoY) (2.4% est). Core CPI was also soft, at 0.1% (MoM) (0.3% exp). The YoY rate came in at 2.8% (vs 2.9% est).
- In the UK interest rates have been left on hold as the Bank of England said it was keeping watch on a “highly unpredictable” world amid rising energy prices.
- The UK's annual inflation rate (headline) cooled from 3.5% in April to 3.4% in May, aligned with a consensus of 3.4%. Core inflation dropped from 3.8% to 3.5% in May, below a consensus of 3.6%.
- In the US, all the three major indices are trading positive this month (MTD) - with NASDAQ having increased the most, by 4.5%.
- US10YR was slightly lower as compared to the previous month 4.3% vs 4.4% (May 2025).
- US Dollar Index declined compared to last month: 99.3 in May 2025 vs to 97.3 as on today.
- Crude prices were very volatile this month on the back of middle east tension. On the day of the Israeli strike crude rose more than 12% intraday, vis-à-vis May 2025 crude prices rose \$67/bbl vs \$63.9/bbl (May 2025).

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.

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).

Key Triggers for May Series:

- Q1FY26 Results and Quarterly Updates
- Geopolitical Developments
- Tariff Updates
- FII Flows

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)
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%
Sep’24	7.12%
Aug’24	7.57%
July ’24	7.48%

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		Since Inception		
	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount in Rs	Returns %	
HSBC Arbitrage Fund – Regular Plan~	10673	6.69	12122	6.62	12990	5.37	18976	5.99	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10751	7.47	12325	7.21	13219	5.74	18581	5.79	
Additional Benchmark (Nifty 50 TRI)	10754	7.49	16741	18.72	26307	21.33	38347	12.99	
HSBC Arbitrage Fund – Direct Plan~	10745	7.41	12368	7.33	13427	6.07	20316	6.65	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10751	7.47	12325	7.21	13219	5.74	18581	5.79	
Additional Benchmark (Nifty 50 TRI)	10754	7.49	16741	18.72	26307	21.33	38347	12.99	

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 June 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	1320000	
Market Value as on June 30, 2025 (₹)	1,24,234	3,99,960	7,01,756	18,29,848	
Scheme Returns (%)	6.67	6.97	6.21	5.77	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,879	4,03,913	7,11,837	18,26,938	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.70	7.63	6.78	5.74	
Nifty 50 TRI - Additional Benchmark (₹)	1,27,829	4,56,731	8,96,353	30,66,821	
Nifty 50 TRI - Additional Benchmark Returns (%)	12.43	16.12	16.08	14.53	
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	1320000	
Market Value as on June 30, 2025 (₹)	1,24,684	4,04,242	7,14,338	19,01,981	
Scheme Returns (%)	7.39	7.69	6.92	6.44	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,879	4,03,913	7,11,837	18,26,938	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.70	7.63	6.78	5.74	
Nifty 50 TRI - Additional Benchmark (₹)	1,27,829	4,56,731	8,96,353	30,66,821	
Nifty 50 TRI - Additional Benchmark Returns (%)	12.43	16.12	16.08	14.53	

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. Sonal Gupta is dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund.
Source: HSBC Mutual Fund, data as on 30 June 2025
[Click here](#) to check other funds performance managed by the Fund Manager

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 30 June 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 the future and is not indicative of future results. Source: HSBC Mutual Fund, data as on 30 June 2025

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