

## Product Note

### HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

March 2026

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date*	AUM <sup>&amp;</sup>
Arbitrage Fund	Praveen Ayathan, Mahesh Chhabria and Mohd. Asif Rizwi	Nifty 50 Arbitrage Index	30 June 2014	Rs. 2,432.78 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
HDFC Bank Limited	7.06%	7.06%	0.00%	Banks	22.33%
ICICI Bank Limited	5.57%	5.57%	0.00%	Internal - Mutual Fund Units	20.35%
Eternal Limited	3.92%	3.92%	0.00%	Debt Instrument	6.76%
Mahindra & Mahindra Limited	3.42%	3.42%	0.00%	Finance	6.51%
				Retailing	4.77%
RBL Bank Limited	3.42%	3.42%	0.00%	Automobiles	4.47%
Reliance Industries Limited	2.37%	2.37%	0.00%	Ferrous Metals	3.97%
Jio Financial Services Limited	2.36%	2.36%	0.00%	Pharmaceuticals & Biotechnology	3.49%
Bandhan Bank Limited	2.23%	2.23%	0.00%	Consumer Durables	2.68%
NMDC Limited	2.16%	2.16%	0.00%	Petroleum Products	2.38%
JSW Steel Limited	2.11%	2.11%	0.00%		

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 has exposure in companies where the fund manager believes, dividend arbitrage opportunities can exist.
- 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 January 28, 2026.

### 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)<sup>2</sup> – Regular<sup>3</sup>: 0.91%, Direct: 0.29%**

<sup>1</sup> 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.

<sup>2</sup> TER Annualized TER including GST on Investment Management Fees

<sup>3</sup> Continuing plans

<sup>&</sup>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 28 February 2026. **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 6.77% annualized.
- Allocation towards hedged equities is at 71.05. No duration or credit risk is taken on the debt side and that will pull down the final returns a bit.
- February short rolls started at 67-68 bps prior to the expiry week, and the levels dropped gradually by 1-2 bps to 63-64 bps on subsequent days.
- On expiry day, the roll levels dropped to 60 bps and below for most constituents, barring some which moved up to 68-69 levels.
- Technology stocks were hit severely, as the long rollers shied away.
- NSE NIFTY increased 0.4% in Feb'26 (MTD) – after decreasing by 3% in January 2026.
- This month to date, FIIs have bought equities close to \$1.6 bn. In Jan'26 FIIs sold \$3.2 bn in cash.
- AUM of Arbitrage Funds increased compared to previous expiry (Rs 334,803 crs vs Rs 334,342 crs).
- This month average roll basis was higher than previous expiry, 63 bps vs 53 bps previous month.

## Market Movements

- The RBI, as expected, paused rate cuts in the Feb-26 MPC, with a neutral stance and a balanced tone.
- However, RBI Governor hinted in the press conference that barring any surprises, policymakers are comfortable with the current policy rate and stance for the foreseeable future, based on their macro assessment.
- Jan-26 CPI (new base) printed 2.74% YoY with food inflation at 2.1% and core easing to 3.4%.
- Markets saw a sharp selloff during the Budget session, with the Nifty closing 2% down. While there was an attempt to bounce, but it clearly lacked follow-through and faded quickly. The big negative surprise was the
- hike in STT in the F&O segment.
- India and the US reached a trade agreement on 2nd Feb that cut tariffs on Indian goods to 18% from 25%. Following the US court ruling this has come down to 15%.
- With FII flows now reversing coupled with the positiveness of the trade agreement, market sentiment going into the next expiry seems buoyed.

---

Source – Bloomberg, HSBC Mutual Fund

**Note** – Details provided above is as on 28 February 2026 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.

**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).

## Global Markets

- Global equity markets around the world have been mixed this month.
- The FED held its key interest steady in a range between 3.5% and 3.75% on 28 January. The decision put a halt to three consecutive quarter percentage point reductions.
- Headline CPI in the US for the month of Jan'26 was softer at 0.2% m/m (Est: 0.3%) and was up 2.4% y/y (Est: 2.5%). Soft headline CPI for Jan-26 has led to the market beginning to price in a lower Fed terminal rate.
- Meanwhile in the UK, the annual U.K. inflation rate fell sharply in January, increasing the chances that the Bank of England will decide to cut interest rates at its next policy meeting in March.
- Annual CPI rose 3.0% in January, the lowest level since March 2025, dropping from 3.4% the prior month.
- Although the headline figure remains above the BoE's 2% target, at its meeting in Feb the central bank policymakers indicated that further rate cuts are likely later this year as inflation is projected to return to the 2% target by spring, at a faster rate than previously forecast.
- In the US, 2 of the 3 three major indices are trading negative this month (MTD) - with the NASDAQ having decreased the most, by 2.5%.
- US10YR was trading slightly lower as compared to the previous month 4.04 % Vs 4.24% (Jan'26).
- US Dollar Index increased compared to last month: 97.8 Vs 97 (Jan'26).
- Crude prices increased this month: \$71.1/bbl. Vs \$70.7/bbl. (Jan'26).

## Key Triggers :

- Trump Policy
- Tariffs
- Global Conflicts Russia-Ukraine, US-Iran
- Gaza-Board of Peace
- AI Disruptions
- Gold/Silver/Commodities Volatility

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)
Feb'26	6.77%
Jan' 26	6.91%
Dec'25	8.39%
Nov'25	7.10%
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%

HSBC Arbitrage Fund (HATF) | Product Note  
[March 2026]

Fund Manager - Praveen Ayathan Effective 30 Jun 2014. Total Schemes Managed – 6, Fund Manager - Mahesh Chhabria Effective 15 Jul 2023. Total Schemes Managed - 14  
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 %							
HSBC Arbitrage Fund – Regular Plan~	10614	6.16	12194	6.84	13215	5.73	17470	5.74	19708	5.99	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10752	7.54	12507	7.74	13643	6.40	17276	5.62	19488	5.88	
Additional Benchmark (Nifty 50 TRI)	11507	15.12	15066	14.64	18379	12.93	40781	15.09	38073	12.14	
HSBC Arbitrage Fund – Direct Plan~	10684	6.85	12439	7.55	13664	6.44	18592	6.40	21189	6.65	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10752	7.54	12507	7.74	13643	6.40	17276	5.62	19488	5.88	
Additional Benchmark (Nifty 50 TRI)	11507	15.12	15066	14.64	18379	12.93	40781	15.09	38073	12.14	

**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 February 2026 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	1400000	
Market Value as on February 27, 2026 (₹)	1,23,816	3,97,481	7,03,478	19,82,110	
Scheme Returns (%)	6.04	6.57	6.32	5.78	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,747	4,03,572	7,18,254	19,98,320	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.52	7.60	7.15	5.91	
Nifty 50 TRI - Additional Benchmark (₹)	1,22,956	4,13,666	7,91,190	31,24,593	
Nifty 50 TRI - Additional Benchmark Returns (%)	4.67	9.28	11.04	13.03	

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	1400000	
Market Value as on February 27, 2026 (₹)	1,24,244	4,01,654	7,16,004	20,65,628	
Scheme Returns (%)	6.72	7.28	7.02	6.45	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,747	4,03,572	7,18,254	19,98,320	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.52	7.60	7.15	5.91	
Nifty 50 TRI - Additional Benchmark (₹)	1,22,956	4,13,666	7,91,190	31,24,593	
Nifty 50 TRI - Additional Benchmark Returns (%)	4.67	9.28	11.04	13.03	

**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 28 February 2026

[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><b>HSBC Arbitrage Fund</b></p> <p>(An open ended scheme investing in arbitrage opportunities)</p> <p><b>This product is suitable for investors who are seeking*:</b></p> <ul style="list-style-type: none"> <li>• Generation of reasonable returns over short to medium term</li> <li>• Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instrument.</li> </ul>	 <p>The risk of the scheme is Low Risk</p>	<p>As per AMFI Tier I Benchmark i.e. <b>Benchmark Index: Nifty 50 Arbitrage Index</b></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 28 February 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 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 28 February 2026

Investors are requested to note that as per SEBI (Mutual Funds) Regulations, 1996 and guidelines issued thereunder, HSBC AMC, its employees and/or empaneled distributors/agents are forbidden from guaranteeing/promising/assuring/predicting any returns or future performances of the schemes of HSBC Mutual Fund. Hence please do not rely upon any such statements/commitments. If you come across any such practices, please register a complaint via email at [investor.line@mutualfunds.hsbco.in](mailto:investor.line@mutualfunds.hsbco.in).

**Disclaimer:** This document has been prepared by HSBC Mutual Fund for information purposes only and should not be construed as i) an offer or recommendation to buy or sell securities, commodities, currencies or other investments referred to herein; or ii) an offer to sell or a solicitation or an offer for purchase of any of the funds of HSBC Mutual Fund; or iii) an investment research or investment advice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and / or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information / opinion herein.

This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited. Neither this document nor the units of HSBC Mutual Fund have been registered under Securities law/Regulations in any foreign jurisdiction. The distribution of this document in certain jurisdictions may be unlawful or restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. If any person chooses to access this document from a jurisdiction other than India, then such person do so at his/her own risk and HSBC and its group companies will not be liable for any breach of local law or regulation that such person commits as a result of doing so.

© Copyright. HSBC Mutual Fund 2026, ALL RIGHTS RESERVED.

HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.  
GST - 27AABCH0007N1ZS, Email: [investor.line@mutualfunds.hsbco.in](mailto:investor.line@mutualfunds.hsbco.in) | Website: [www.assetmanagement.hsbco.in](http://www.assetmanagement.hsbco.in)

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