

## Product Note

### HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

February 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. 2,419.29 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
HDFC Bank Limited	7.10%	7.10%	0.00%	Banks	22.16%
Eternal Limited	5.33%	5.33%	0.00%	Internal - Mutual Fund Units	16.22%
ICICI Bank Limited	4.10%	4.10%	0.00%	Debt Instrument	9.84%
RBL Bank Limited	3.81%	3.81%	0.00%	Finance	8.18%
Mahindra & Mahindra Limited	3.62%	3.62%	0.00%	Retailing	6.01%
Reliance Industries Limited	3.02%	3.02%	0.00%	Automobiles	3.70%
Jio Financial Services Limited	2.26%	2.26%	0.00%	Petroleum Products	3.19%
NMDC Limited	2.10%	2.10%	0.00%	Pharmaceuticals & Biotechnology	2.92%
JSW Steel Limited	2.01%	2.01%	0.00%	Consumer Durables	2.83%
Bandhan Bank Limited	1.91%	1.91%	0.00%	Ferrous Metals	2.75%

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>: 0.92%, Direct: 0.30%**

<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

\*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 January 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 6.91% annualized.
- Allocation towards hedged equities is at 71.73.
- No duration or credit risk is taken on the debt side and that will pull down the final returns a bit.
- January month saw huge market volatility. Rolls began at 60 bps levels
- gradually falling to 50-52 bps levels by the end of the week prior to the expiry.
- On the expiry day, rolls went up to 56-57 bps levels but at subdued volumes.
- NSE NIFTY declined 3.6% in Jan'26 (MTD) – after decreasing by 0.3% in Dec'25.
- AUM of Arbitrage Funds increased compared to previous expiry (Rs 3,33,215 Crs vs Rs 3,26,657 Crs).
- This month average roll basis was lower than previous expiry, 53 bps vs 64 bps previous month.

## Market Movements

- The goods trade deficit rose marginally to USD 25 bn in Dec-25 (Nov-25: \$24.5 bn), with both exports (\$38 bn; 1% MoM) and imports (\$64 bn; 1% MoM) increasing slightly.
- Exports to the US declined marginally (\$6.9 bn; -1% MoM), while those to the rest of world, ticked up (\$31.6 bn; 2% MoM).
- Headline CPI inflation rose to 1.33% in Dec-25 (Est: 1.59%, Prior: 0.71%), but with food price deflation continuing (F&B CPI: -1.9% YoY).
- Monthly momentum declined to 0.1% MoM (vs 0.3% prior) – the lowest since Sep-25.
- Currently, Jan-26 headline CPI is tracking at 2.3%.
- Going into the next month all eyes will now be on how the India EU deal plays out, with deep tariff cuts bilaterally, helped by possible ironing out of some issues such as EU's push for tariff reductions on auto/spirits, data protection norms, and India's priorities around data localization, greater labor, and services mobility.

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Source – Bloomberg, HSBC Mutual Fund

**Note** – Details provided above is as on 31 January 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.

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## Global Markets

- Global equity markets around the world have been mostly positive this month.
- US CPI for the month of Dec'25 came in at of 0.3% M-o-M, with annual rate at 2.7%. Both were exactly in line with the Dow Jones consensus estimate.
- Core U.S. consumer prices rose less than predicted in Dec'25, reinforcing hopes that inflation is tempering as the Federal Reserve contemplates its move on interest rates.
- Powered by strong consumer spending, the U.S. economy grew at the fastest pace in two years from July through Sep'25 – at 4.4%, up from 3.8% in the April-June quarter and from the 4.3% growth the Commerce Department initially estimated.
- Meanwhile in the UK, inflation rose for the first time in five months to 3.4% in Dec'25, pushed up by higher air fares and tobacco - up from 3.2% in Nov'25. On a monthly basis CPI increased 0.4%.
- Analysts said the reversal of the downward trend was likely only to be temporary, The Bank of England in Dec'25 said that it thinks inflation will ease to around 3% in Q1 2026 and then “closer to 2%” in Q2 2026.
- In the US, all the three major indices are trading positive this month (MTD) - with the NASDAQ having increased the most, by 2.5%.
- US10YR was trading slightly higher as compared to the previous month 4.22 % vs 4.15% (Dec'25).
- US Dollar Index decreased compared to last month: 96.5 vs 98.3 (Dec'25).
- Crude prices increased this month: \$65.3/bbl. vs \$61/bbl (Dec'25).

## Key Triggers :

- Union Budget
- RBI Policy
- Remainder of Q3 Earnings
- Updates on Trade Deal

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)
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%
Feb'25	6.78%

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[February 2026]

Fund Manager - Praveen Ayathan Effective 30 Jun 2014. Total Schemes Managed – 5, 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~	10611	6.13	12221	6.92	13203	5.71	17451	5.72	19621	5.99	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10755	7.58	12544	7.85	13667	6.44	17255	5.60	19400	5.88	
Additional Benchmark (Nifty 50 TRI)	10897	9.00	14848	14.08	19714	14.52	37878	14.23	38269	12.27	
HSBC Arbitrage Fund – Direct Plan~	10680	6.82	12468	7.63	13652	6.42	18572	6.38	21085	6.65	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10755	7.58	12544	7.85	13667	6.44	17255	5.60	19400	5.88	
Additional Benchmark (Nifty 50 TRI)	10897	9.00	14848	14.08	19714	14.52	37878	14.23	38269	12.27	

**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 January 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	1390000	
Market Value as on January 30, 2026 (₹)	1,23,878	3,97,917	7,03,578	19,63,352	
Scheme Returns (%)	6.06	6.62	6.31	5.78	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,944	4,04,280	7,18,700	19,79,353	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.74	7.68	7.15	5.91	
Nifty 50 TRI - Additional Benchmark (₹)	1,24,462	4,20,587	8,03,989	31,30,572	
Nifty 50 TRI - Additional Benchmark Returns (%)	6.98	10.37	11.65	13.26	

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	1390000	
Market Value as on January 30, 2026 (₹)	1,24,315	4,02,127	7,16,157	20,45,521	
Scheme Returns (%)	6.75	7.32	7.01	6.45	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,944	4,04,280	7,18,700	19,79,353	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.74	7.68	7.15	5.91	
Nifty 50 TRI - Additional Benchmark (₹)	1,24,462	4,20,587	8,03,989	31,30,572	
Nifty 50 TRI - Additional Benchmark Returns (%)	6.98	10.37	11.65	13.26	

**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 January 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 31 January 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 31 January 2026

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