

## Product Note

### HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

August 2025

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. 2,510.99 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
State Bank of India	7.30%	7.30%	0.00%	Banks	32.85%
ICICI Bank Limited	7.24%	7.24%	0.00%	Internal - Mutual Fund Units	16.88%
HDFC Bank Limited	5.32%	5.32%	0.00%	Debt Instrument	11.87%
Axis Bank Limited	3.95%	3.95%	0.00%	Finance	4.70%
Reliance Industries Limited	3.58%	3.58%	0.00%	Petroleum Products	3.61%
IDFC First Bank Limited	2.80%	2.80%	0.00%	Pharmaceuticals & Biotechnology	3.33%
RBL Bank Limited	2.06%	2.06%	0.00%	Power	3.28%
Tata Power Company Limited	1.92%	1.92%	0.00%	Agricultural Food & other Products	2.28%
Laurus Labs Limited	1.52%	1.52%	0.00%	IT - Software	2.18%
Rec Limited	1.39%	1.39%	0.00%	Consumer Durables	1.90%

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 August 1, 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)<sup>2</sup> – Regular<sup>3</sup>: 0.92%, Direct: 0.27%**

<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 July 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 6.92% annualized.
- Allocation towards hedged equities is at 68.29 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.
- Rollover volumes saw a pullback initially on the back of Jane Street issue and were held at 55-56 bps. Start of rollover week the levels were down at 52-53 bps levels with an improvement in volumes.
- On expiry day, roll levels dropped to 47-48 bps levels due to the tariff news with some stocks losing on spreads and volumes as well.
- The NSE NIFTY declined 2.9% in July 2025, after increasing for four consecutive months.
- This month to date, FIIs have sold equities worth \$2 bn. In June 2025 FIIs bought \$2.3 bn in cash.
- AUM of Arbitrage Funds marginally increased compared to previous expiry (Rs 3,02,009 crs vs Rs 2,91,717 crs). This month average roll basis was lower than previous expiry, 53 bps vs 63 bps previous month.

## Market Movements

- After four consecutive months of rally, markets declined this month- in tandem with FII flows which were negative this month after four consecutive months of inflows.
- Headline CPI inflation declined once again, to 2.1% YoY in June 2025 (Consensus: 2.25%; Prior: 2.82%), marking a 78-month low. A favorable base effect and lower-than-expected sequential increase in food prices (1.1% MoM; down 1.1% YoY) were the primary drivers of the decline. However, sequentially, headline CPI rose to 0.6% MoM (0.2% MoM prior) – the highest in eight months.
- The July quarter has been a mixed bag so far — with more in-line or modest beats than outright misses, but forward guidance and commentary have kept optimism in check. India bore the brunt – facing a blanket 25% tariff on all exports to the US.
- To add fuel to the fire, US President has threatened additional penalties if India continues purchasing Russian energy, adding to volatility going forward.

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Source – Bloomberg, HSBC Mutual Fund

**Note** – Details provided above is as on 31 July 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.
- The US CPI increased 0.3% MoM, putting the 12-month inflation rate at 2.7%, in line with expectations.
- While the evidence in June was mixed on how much influence tariffs had over prices, there were signs that the duties are having an impact. Apparel and home furnishing prices rose.
- The US FED held rates steady at 4.25%-4.5%.
- UK Inflation unexpectedly rose to its highest in over a year at 3.6% in June, slightly dampening expectations for further cuts in Bank of England interest rates. The higher figure for June was unexpected, with economists having predicted the inflation rate would stay at the 3.4% it hit in April and May.
- China kept its benchmark lending rates steady as the country continues to grapple with weak consumer sentiment and softening growth. The decision comes after the country announced that GDP growth in the second quarter grew at 5.2% YoY, down from 5.4% in the first quarter.
- In the US, 2 out of the 3 three major indices gave positive returns in July 2025 month - with NASDAQ having increased the most, by 4.4%.
- US10YR was higher as compared to the previous month 4.4% vs 4.2% (June 2025).
- US Dollar Index rose compared to last month: 96.9 in Jun’25 vs to 99.8 as on today.
- Crude prices rose on signs of progress in trade talks, indicating bullishness in energy demand: \$71.7/bbl vs \$67.6/bbl (Jun 2025)

Key Triggers :

- Global Updates Around Tariffs
- RBI Policy Outcome (Aug 6)
- Remainder of Q1 Results
- Festive Season Kicks Off

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)
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%
Oct’24	8.22%
Sep’24	7.12%
Aug’24	7.57%

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~	10662	6.62	12188	6.80	13052	5.47	19068	5.99	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10748	7.48	12386	7.37	13331	5.92	18676	5.79	
Additional Benchmark (Nifty 50 TRI)	10054	0.54	14946	14.29	23751	18.88	37285	12.60	
HSBC Arbitrage Fund – Direct Plan~	10733	7.33	12436	7.51	13492	6.17	20425	6.65	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10748	7.48	12386	7.37	13331	5.92	18676	5.79	
Additional Benchmark (Nifty 50 TRI)	10054	0.54	14946	14.29	23751	18.88	37285	12.60	

**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 July 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	1330000	
Market Value as on July 31, 2025 (₹)	1,24,156	3,99,735	7,02,101	18,48,716	
Scheme Returns (%)	6.52	6.93	6.23	5.77	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,781	4,03,620	7,12,203	18,46,318	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.52	7.58	6.80	5.75	
Nifty 50 TRI - Additional Benchmark (₹)	1,23,605	4,37,490	8,55,977	29,91,598	
Nifty 50 TRI - Additional Benchmark Returns (%)	5.65	13.09	14.19	13.88	



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	1330000	
Market Value as on July 31, 2025 (₹)	1,24,606	4,04,017	7,14,705	19,22,273	
Scheme Returns (%)	7.24	7.64	6.94	6.44	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,781	4,03,620	7,12,203	18,46,318	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.52	7.58	6.80	5.75	
Nifty 50 TRI - Additional Benchmark (₹)	1,23,605	4,37,490	8,55,977	29,91,598	
Nifty 50 TRI - Additional Benchmark Returns (%)	5.65	13.09	14.19	13.88	

**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 31 July 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><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 July 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 31 July 2025

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