

Product Note

HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

October 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. 2,438.46 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	34.43%
HDFC Bank Limited	6.50%	6.50%	0.00%	Internal - Mutual Fund Units	15.80%
ICICI Bank Limited	6.30%	6.30%	0.00%	Debt Instrument	10.50%
Reliance Industries Limited	4.65%	4.65%	0.00%	Finance	8.27%
Axis Bank Limited	4.51%	4.51%	0.00%	Petroleum Products	4.90%
ETERNAL Limited	3.32%	3.32%	0.00%	Retailing	4.42%
PNB Housing Finance Limited	3.00%	3.00%	0.00%	Power	3.40%
RBL Bank Limited	2.51%	2.51%	0.00%	Ferrous Metals	2.83%
Marico Limited	1.76%	1.76%	0.00%	Agricultural Food & other Products	2.55%
Sammaan Capital Limited	1.68%	1.68%	0.00%	Pharmaceuticals & Biotechnology	1.55%

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 01, 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 30 September 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 6.96% annualized.
- Allocation towards hedged equities is at 73.85 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.
- This expiry rolls shifted from last Thursday to last Tuesday.
- Rolls started at a decent 53-54 bps levels providing good churn volumes but moved higher at 54-55 bps in the later part of the rollover week. By the end of rollover, levels dropped to 50-52 bps levels at healthy volumes. Tuesday saw roll levels of 60 bps and higher in the final trading hours of the day but with little volumes.
- The NSE NIFTY gained 0.75% in Sep'25 (MTD) – after declining by 1.4% in Aug'25.
- This month to date, FILs have sold equities close to \$2 bn. In Aug'25 FILs sold \$3.9 bn in cash.
- Allocation towards hedged equities is at 73.85 with tilt towards large cap.
- AUM of Arbitrage Funds marginally increased compared to previous expiry (Rs 3,11,505 cr vs Rs 3,11,203 cr). This month average roll basis was lower than previous expiry, 53.43 bps vs 57.06 bps previous month.

Market Movements

- The big news this month was the imposition of new requirements and \$100k fees on H1-B visas by the US administration. However, relief was granted by Press Secretary's clarifications (after a day). Analysts argue that the impact is unlikely to be disruptive and Indian IT companies anyway have been reducing their reliance on H1-B visas, using them largely for convenience or to bridge the gap in skill availability.
- Meanwhile, Indian PM gave an "address to the Nation" reiterating savings due to GST reforms.
- Headline CPI inflation ticked up marginally to 2.07% in Aug-25, largely in-line (Est: 2.2%, prior: 1.55%). A favorable base effect and lower-than-expected sequential increase in food prices (0.7% MoM; -0.7% YoY) remain the key drivers. Headline CPI rose 0.5% MoM (1% prior) – the lowest in three months.
- Core inflation (ex-intoxicants) also rose, to 4.3% (vs 4.2% prior), with monthly momentum too rising (0.4% MoM vs 0.3% prior).
- Going forward all eyes will be on Q2 earnings slated to be released from early next month.

Source – Bloomberg, HSBC Mutual Fund

Note – Details provided above is as on 30 September 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 came broadly in line for the month of Aug’25. Headline was a touch hot at 0.4% m/m, but core stayed at 0.3%, leaving YoY rates at 2.9% and 3.1% respectively, that’s up from 2.7% in July and marks the steepest annual increase since Jan’25.
- The FOMC cut 25 bps as widely expected to 4.0-4.25%, with mixed forward-looking news. Both the dots and statement were more dovish with small changes to the economic outlook.
- The European Central Bank left interest rates unchanged on 11 Sep as expected but offered no clues about its next move.
- The ECB halved its key rate in the year to June but has been on hold at 2% since, arguing that the economy of the 20-country euro zone is in a "good place" even if more easing cannot be ruled out.
- In the US, all the three major indices are trading positive this month (MTD) - with NASDAQ having increased the most, by 5%.
- US10YR was slightly lower as compared to the previous month 4.1% vs 4.24% (Aug’25).
- US Dollar Index was slightly lower compared to last month: 97.7 vs 97.8 (Aug’25).
- Crude prices declined this month: \$65.9/bbl vs \$68/bbl (Aug’25).

Key Triggers :

- RBI policy outcome
- Q2 FY26 quarterly updates and results
- Developments around US-India trade talk
- Festive seasons sale

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)
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%
Oct’24	8.22%

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~	10634	6.34	12180	6.79	13053	5.47	17436	5.71	19216	5.97	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10787	7.87	12415	7.47	13387	6.00	17120	5.52	18881	5.81	
Additional Benchmark (Nifty 50 TRI)	9655	-3.45	14904	14.21	23241	18.36	35010	13.34	37118	12.35	
HSBC Arbitrage Fund – Direct Plan~	10705	7.05	12428	7.51	13497	6.18	18552	6.37	20606	6.63	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10787	7.87	12415	7.47	13387	6.00	17120	5.52	18881	5.81	
Additional Benchmark (Nifty 50 TRI)	9655	-3.45	14904	14.21	23241	18.36	35010	13.34	37118	12.35	

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 September 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	1350000	
Market Value as on September 30, 2025 (₹)	1,23,810	3,98,441	7,01,397	18,83,178	
Scheme Returns (%)	5.97	6.71	6.18	5.74	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,643	4,03,215	7,13,232	18,86,708	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.29	7.51	6.85	5.77	
Nifty 50 TRI - Additional Benchmark (₹)	1,23,241	4,26,319	8,25,344	29,98,251	
Nifty 50 TRI - Additional Benchmark Returns (%)	5.07	11.30	12.72	13.45	

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	1350000	
Market Value as on September 30, 2025 (₹)	1,24,255	4,02,691	7,13,977	19,59,398	
Scheme Returns (%)	6.67	7.42	6.89	6.41	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,643	4,03,215	7,13,232	18,86,708	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.29	7.51	6.85	5.77	
Nifty 50 TRI - Additional Benchmark (₹)	1,23,241	4,26,319	8,25,344	29,98,251	
Nifty 50 TRI - Additional Benchmark Returns (%)	5.07	11.30	12.72	13.45	

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 30 September 2025

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Product Label

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter (as applicable)
HSBC Arbitrage Fund (An open ended scheme investing in arbitrage opportunities) This product is suitable for investors who are seeking* : • 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.	 The risk of the scheme is Low Risk	As per AMFI Tier I Benchmark i.e. Benchmark Index: Nifty 50 Arbitrage Index  The risk of the benchmark is Low Risk

* 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 September 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 30 September 2025

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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.hsbc.co.in | Website: www.assetmanagement.hsbc.co/in

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