

Product Note

HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

December 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. 2,326.90 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
HDFC Bank Limited	7.34%	7.34%	0.00%	Banks	27.84%
ICICI Bank Limited	6.07%	6.07%	0.00%	Internal - Mutual Fund Units	16.72%
ETERNAL Limited	5.98%	5.98%	0.00%	Finance	12.03%
Reliance Industries Limited	4.33%	4.33%	0.00%	Debt Instrument	7.04%
RBL Bank Limited	4.30%	4.30%	0.00%	Retailing	6.52%
Axis Bank Limited	3.59%	3.59%	0.00%	Petroleum Products	4.66%
Sammaan Capital Limited	3.44%	3.44%	0.00%	Pharmaceuticals & Biotechnology	2.93%
PNB Housing Finance Limited	3.15%	3.15%	0.00%	Ferrous Metals	2.09%
Jio Financial Services Limited	2.35%	2.35%	0.00%	Agricultural Food & other Products	2.06%
Marico Limited	1.82%	1.82%	0.00%	Power	1.87%

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 November 26, 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 November 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 7.10% annualized.
- Allocation towards hedged equities is at 74.93.
- No duration or credit risk is taken on the debt side and that will pull down the final returns a bit.
- The expiry rolls started at 70-73 levels which fell to 60-62 bps levels by end of rollover.
- During the week rolls were stable at 64-65 bps levels, but a contraction of fresh arbitrage spreads pulled down the roll levels on expiry day.
- NSE NIFTY gained 0.6% in Nov'25 (MTD) – after increasing by 4.5% in Oct'25.
- This month to date, FIIs have sold equities close to \$200 mn. In Oct'25 FIIs bought \$1.3 bn in cash.
- AUM of Arbitrage Funds increased compared to previous expiry (Rs 3,20,338 crs vs Rs 3,11,622 crs).

Market Movements

- Earnings broadly held up in the just concluded 2QFY26 earnings season, with some acceleration in PAT growth. It was, however, skewed toward low-PE sectors like Energy and Materials.
- Nifty earnings growth remains anemic at ~9%, with some sequential improvement. Green shoots are, however, stronger for the broader market.
- Headline CPI inflation declined to a series low of 0.25% in Oct-25, in line with estimates (0.28%, prior: 1.44%).
- Notably, Sep-25 CPI has been revised down (earlier: 1.54%), possibly reflecting some of the GST rejig impact.
- Currently, November headline CPI is tracking at 0.9%, reflecting soft food prices, with downside risk due to spillover of GST changes.
- Headline CPI rose 0.1% MoM (0.5% prior) – the lowest in six months.
- FY26E headline CPI is now < 2%, implying further downside of ~50 bps to RBI's forecast of 2.6%.
- Indian Rupee slid to a historic low of Rs 89.45 vs the USD this month on lack of clear progress on US-India trade deal.

Source – Bloomberg, HSBC Mutual Fund

Note – Details provided above is as on 30 November 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.

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. • In the US, Sep's (much-delayed) jobs data came in far better than expected - net payrolls were at 119k (vs 51kest).
- The unemployment rate ticked up unexpectedly to 4.4%. Despite this print having outsized importance due to the shutdown-led data drought, its dated nature meant that only a significantly low number would have moved the needle towards a Fed cut.
- The Fed cut 25 bps on 29 Oct and ended QT, as widely expected. But Powell bluntly pushed back against the market confidently pricing a December cut, stating "A further reduction in the policy rate at the December meeting is not a forgone conclusion—far from it.
- Policy is not on a preset course." He also added that there was a "growing chorus" in favor of waiting a cycle.
- Meanwhile in the UK, Inflation dipped to 3.6% in October, falling to the lowest level in months following easing gas and electricity prices, CPI print was 3.8% in September. This marks the lowest CPI rate since June this year.
- In the US, all the three major indices are trading negative this month (MTD) - with NASDAQ having decreased the most, by 3%.
- US10YR was trading slightly lower as compared to the previous month 4.0 % vs 4.10% (Oct'25).
- US Dollar Index was in line compared to last month: 99.7 vs 99.8 (Oct'25).
- Crude prices declined this month: \$61.9/bbl. Vs \$65.1/bbl. (Oct'25)

Key Triggers :

- RBI Policy
- US FED Meet
- US India Trade Talks • Santa Claus Rally

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)
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%
Jan' 25	7.73%
Dec' 24	7.63%

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~	10629	6.31	12216	6.91	13125	5.58	17444	5.72	19410	5.98	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10756	7.58	12471	7.65	13506	6.19	17156	5.54	19105	5.83	
Additional Benchmark (Nifty 50 TRI)	10994	9.97	14461	13.10	21446	16.46	37349	14.08	39578	12.80	
HSBC Arbitrage Fund – Direct Plan~	10699	7.01	12462	7.62	13574	6.29	18562	6.38	20835	6.64	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10756	7.58	12471	7.65	13506	6.19	17156	5.54	19105	5.83	
Additional Benchmark (Nifty 50 TRI)	10994	9.97	14461	13.10	21446	16.46	37349	14.08	39578	12.80	

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 November 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	1370000	
Market Value as on November 28, 2025 (₹)	123,786	398,049	702,272	1,922,293	
Scheme Returns (%)	5.99	6.66	6.25	5.76	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	124,545	403,058	714,772	1,929,236	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.20	7.51	6.95	5.82	
Nifty 50 TRI - Additional Benchmark (₹)	130,792	444,273	852,521	3,217,665	
Nifty 50 TRI - Additional Benchmark Returns (%)	17.34	14.21	14.05	14.15	

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	1370000	
Market Value as on November 28, 2025 (₹)	124,223	402,269	714,834	2,001,378	
Scheme Returns (%)	6.68	7.38	6.96	6.43	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	124,545	403,058	714,772	1,929,236	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.20	7.51	6.95	5.82	
Nifty 50 TRI - Additional Benchmark (₹)	130,792	444,273	852,521	3,217,665	
Nifty 50 TRI - Additional Benchmark Returns (%)	17.34	14.21	14.05	14.15	

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 November 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 November 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 November 2025

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.hsbc.co.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 2025, 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.hsbc.co.in | Website: www.assetmanagement.hsbc.co/in

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