

Product Note

HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

April 2025

Fund Category	Fund Manager	Benchmark ¹	Inception Date*	AUM ^{&}
Arbitrage Fund	Praveen Ayathan, Hitesh Gondhia, Mahesh Chhabria and Mohd. Asif Rizwi	Nifty 50 Arbitrage Index	30 June 2014	Rs. 2,245.43 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
Reliance Industries Limited	6.01%	6.01%	0.00%	Banks	31.10%
ICICI Bank Limited	5.82%	5.82%	0.00%	Internal - Mutual Fund Units	19.25%
Bank of Baroda	5.59%	5.59%	0.00%	Petroleum Products	6.64%
State Bank of India	4.37%	4.37%	0.00%	Finance	4.99%
HDFC Bank Limited	3.78%	3.78%	0.00%	Debt Instrument	4.25%
Axis Bank Limited	3.43%	3.43%	0.00%	Automobiles	3.71%
Tata Motors Limited	2.50%	2.50%	0.00%	Power	3.67%
Tata Power Company Limited	2.36%	2.36%	0.00%	Pharmaceuticals & Biotechnology	3.23%
Laurus Labs Limited	2.14%	2.14%	0.00%	Agricultural Food & other Products	2.15%
Tata Consumer Products Limited	1.97%	1.97%	0.00%	Cement & Cement Products	1.91%

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 March 28, 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: 0.91%, Direct: 0.24%

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 31 March 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 9.14% annualized. Allocation towards hedged equities is at 75.5 with tilt towards midcap. No duration or credit risk is taken on the debt side and that will pull down the final returns a bit.
- March expiry started with rollover levels at 66-67 bps at lower volumes leading to levels falling to 64-65 bps. The rollover week started with short roller interest at 70-72 levels again at lower volumes and expanded to up to 74-76 levels for some stock participation levels. On expiry day, since there was no visible improvement in roll levels or volumes, rolls traded in a range of 68-70 bps with certain stocks hitting lower at 62-64 bps. Roll levels were also affected by regulator issuing circular for change in expiry day and subsequently deferring the same.
- The NSE NIFTY gained 6.6% in March 2025 (MTD) – after declining by 5.9% in February 2025.
- This month, FIIs have turned net buyers of equities, purchasing to the tune of \$1.3 bn. Previous month FIIs sold \$5.3 bn in the cash.
- AUM of Arbitrage Funds decreased compared to previous expiry (Rs 2,41,718 crs vs Rs 2,45,841 crs). This month average roll basis was higher than previous expiry, 70 bps vs 54 bps previous month.

Market Movements

- Markets rebounded sharply, especially from the second half of the month as FIIs pumped in funds since last month.
- Headline CPI inflation fell to a seven-month low of 3.61% YoY in February (Consensus: 3.98%; Prior: 4.26%), primarily driven by continued sequential easing in food prices. Sequentially, CPI declined for the fourth consecutive month (-0.5% MoM vs -1% prior).
- The RBI had projected CPI inflation for FY 2024-25 at 4.8%, with the January-March quarter (Q4FY25) estimate at 4.4%. However, with inflation falling below 4%, analysts suggest that the central bank may consider further easing its monetary stance to support economic growth.
- The RBI's next bi-monthly policy meeting in April 2025 will be closely watched. With the dollar index coming down and FII flows coming backs, the positive sentiment is likely to persist going into the next month. Rate cut could also act as a catalyst driving up the momentum.

Global Markets

- Global equity markets around the world have been mixed this month.
- In the US, the FOMC unanimously voted to hold interest rates steady at 4.5% for a second straight meeting, following three consecutive rate reductions that began last September. Officials said they still see another half percentage point of rate cuts through 2025.
- CPI came in at 0.2% in February 2025, (slightly below expectations). On an annual basis, headline inflation was at 2.8%. The print provided some relief as consumers and businesses worry about the looming impact tariffs might have on inflation.
- In the UK, the BOE left interest rates unchanged, keeping the central bank's benchmark rate at 4.5%. The decision had been widely anticipated by markets
- In the US, all the three major indices are trading negative this month (MTD) - with NASDAQ having decreased the most, by 4.8%.
- US10YR was slightly higher as compared to the previous month 4.3% Vs 4.2 (February 2025).
- US Dollar Index decreased from 107.6 in February 2025 to 104.3.
- Crude price remained in line since last month: (\$73.2/bbl)

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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Key Triggers for April Series:

- Trump Tariff Plans
- RBI Outcome - 9th April 2025
- Q4FY26 Results
- Global and Geopolitical Developments

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)
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%
July '24	7.48%
June '24	8.93%
May'24	9.26%
Apr '24	7.55%

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 - Hitesh Gondhia Effective 01 Oct 2023. Total Schemes Managed - 3
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~	10705	7.05	12048	6.42	12959	5.33	18689	5.99	07-Feb-11
Scheme Benchmark (Nifty 50 Arbitrage Index)	10765	7.65	12249	7.01	13014	5.42	18271	5.77	
Additional Benchmark (Nifty 50 TRI)	10665	6.65	13956	11.77	28957	23.72	35173	12.41	

Past performance may or may not be sustained in the future and is not indicative of future results. The performance details provided herein are of Regular 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 March 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: 07-Feb-11
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception	
Total amount invested (₹)	120000	360000	600000	1290000	
Market Value as on March 31, 2025 (₹)	1,24,435	4,00,100	6,99,984	17,72,319	
Scheme Returns (%)	7.09	7.03	6.13	5.76	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,25,062	4,03,930	7,09,145	17,66,690	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	8.11	7.67	6.65	5.70	
Nifty 50 TRI - Additional Benchmark (₹)	1,19,261	4,32,382	8,75,118	27,83,680	
Nifty 50 TRI - Additional Benchmark Returns (%)	-1.17	12.35	15.14	13.64	

Past performance may or may not be sustained in the future and is not indicative of future results. 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 March 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)
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 31 March 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 March 2025

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