

Product Note

HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

April 2026

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. 2,525.80 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
ICICI Bank Limited	6.30%	6.30%	0.00%	Banks	23.82%
HDFC Bank Limited	5.88%	5.88%	0.00%	Internal - Mutual Fund Units	19.67%
RBL Bank Limited	2.98%	2.98%	0.00%	Debt Instrument	8.24%
Eternal Limited	2.55%	2.55%	0.00%	Finance	6.87%
Godrej Properties Limited	2.33%	2.33%	0.00%	Realty	4.14%
HDFC Asset Management Company Limited	2.11%	2.11%	0.00%	Pharmaceuticals & Biotechnology	3.16%
NMDC Limited	1.99%	1.99%	0.00%	Ferrous Metals	2.90%
Reliance Industries Limited	1.94%	1.94%	0.00%	Retailing	2.57%
Jio Financial Services Limited	1.86%	1.86%	0.00%	Automobiles	2.37%
ITC Limited	1.67%	1.67%	0.00%	Capital Markets	2.36%

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 April 1, 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)² – Regular³: 0.91%, Direct: 0.29%

¹ As per clause 7.22 of the SEBI Master Circular for Mutual Funds no. HO/24/13/11(1)2026-IMD-POD-1/l/7602/2026 dated March 20, 2026., on Benchmarks for 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. Furthermore, the same is 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 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 7.39% annualized.
- Allocation towards hedged equities is at 67.21. No duration or credit risk is taken on the debt side and that will pull down the final returns a bit.
- March short rolls started at 62-63 bps, dropping to 55-60 bps levels over the week. Major volumes were generated at this range.
- On expiry day, the roll levels fell below 50 bps levels with many constituents settling at 40-42 bps range.
- NSE NIFTY decreased 11.3% in Mar'26 (MTD) – after decreasing by 0.56% in Feb'26.
- This month to date, FIIs have sold equities close to \$13 bn. In Feb'26 FIIs bought \$1.7 bn in cash.
- AUM of Arbitrage Funds decreased compared to previous expiry (Rs 3,15,810 crs vs Rs 3,26,599 crs).
- This month average roll basis was lower than previous expiry, 58.75 bps vs 63 bps previous month.

Market Movements

- Markets were very volatile this month.
- FIIs sold each day this month. India reported Q3FY26 GDP growth at 7.8% under the new series with base year 2022-23.
- Estimates indicate FY27 GDP growth at ~7.0%, helped by lower effective US tariffs, stable consumption, and improved industrial credit offtake.
- Headline CPI inflation rose to 3.21% in Feb-26 (Prior: 2.73%), with food inflation also picking up mildly (F&B CPI: 3.4% YoY) as favorable base effects fade. However, monthly momentum declined to 0.1% MoM (vs 0.3% prior).
- We continue to track FY27E headline CPI at 4-4.1% in our base-case scenario of USD70/bbl. average Brent crude price (assuming the Iran conflict ends within a month).
- However, an extended conflict would have a severe impact on the macro dynamics. Going into the next month a lot will depend on the way the conflict plays out as India's LPG demand-supply dynamics remain precarious.
- With FII flows now reversing coupled with the positiveness of the trade agreement, market sentiment going into the next expiry seems buoyed.

Source – Bloomberg, HSBC Mutual Fund

Note – Details provided above is as on 31 March 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.

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 bearish this month owing to geo-political tensions.
- The Fed kept its policy rate unchanged at 3.5-3.75% on 18 March, as widely expected, with just a single dissent.
- Given the uncertainty around the Iran crisis, the Fed remains in “wait-and-see” mode, even as the dot plot showed no change, with one cut each continuing to be signaled in 2026 and 2027.
- The central bank reiterated its dual mandate to achieve maximum employment and inflation at 2% over the longer run, adding that uncertainty about the economic outlook remains elevated.
- US CPI increased a seasonally adjusted 0.3% for the month, putting the 12-month inflation rate at 2.4%.
- As per experts, higher oil prices could complicate the inflation outlook in coming months, as increases in gasoline and other energy products often filter through transportation, shipping, and a wide range of consumer goods.
- Meanwhile in the UK, inflation remained at 3% for the year to Feb, in line with forecasts and above the BoE's 2% target.
- In the US, all the 3 three major indices are trading negative this month (MTD) - having decreased close to 7% each.
- US10YR was trading higher as compared to the previous month 4.33 % vs 3.96% (Feb'26).
- US Dollar Index increased compared to last month: 100.5 vs 97.6 (Feb'26).
- Crude prices increased sharply this month: \$106.2/bbl vs \$72.5/bbl (Feb'26). Crude rose as high as \$120/bbl. owing to the conflict.

Key Triggers :

- De-escalation of Iran-US war
- Oil and other commodity prices
- RBI policy on 8th April
- Commentary on Rupee
- State Elections
- FII selling trend
- Q4 result updates

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 '26	7.39%
Feb'26	6.77%
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%

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 %	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount in Rs	Returns %	
HSBC Arbitrage Fund – Regular Plan~	10608	6.05	12200	6.85	13237	5.77	17443	5.72	19826	5.99	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10729	7.24	12487	7.68	13643	6.41	17277	5.62	19603	5.89	
Additional Benchmark (Nifty 50 TRI)	9601	-3.97	13320	10.03	16113	10.01	32594	12.54	33770	10.91	
HSBC Arbitrage Fund – Direct Plan~	10668	6.64	12433	7.53	13673	6.46	18547	6.37	21309	6.65	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10729	7.24	12487	7.68	13643	6.41	17277	5.62	19603	5.89	
Additional Benchmark (Nifty 50 TRI)	9601	-3.97	13320	10.03	16113	10.01	32594	12.54	33770	10.91	

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 March 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 6.9.1 of the SEBI Master Circular for Mutual Funds no. HO/24/13/11(1)2026-IMD-POD-1/I/7602/2026 dated March 20, 2026., 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 14.3 of the SEBI Master Circular for Mutual Funds no. HO/24/13/11(1)2026-IMD-POD-1/I/7602/2026 dated March 20, 2026., 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	1410000	
Market Value as on 30 March 2026(₹)	1,23,939	3,97,652	7,04,452	20,04,063	
Scheme Returns (%)	6.21	6.59	6.37	5.80	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,719	4,03,421	7,18,812	20,20,122	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.45	7.57	7.18	5.93	
Nifty 50 TRI - Additional Benchmark (₹)	1,07,835	3,62,647	6,94,709	27,80,447	
Nifty 50 TRI - Additional Benchmark Returns (%)	-18.42	0.48	5.81	11.00	

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	1410000	
Market Value as on 30 March 2026(₹)	1,24,257	4,01,462	7,16,351	20,87,348	
Scheme Returns (%)	6.72	7.24	7.04	6.46	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,719	4,03,421	7,18,812	20,20,122	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.45	7.57	7.18	5.93	
Nifty 50 TRI - Additional Benchmark (₹)	1,07,835	3,62,647	6,94,709	27,80,447	
Nifty 50 TRI - Additional Benchmark Returns (%)	-18.42	0.48	5.81	11.00	



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 March 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>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 31 March 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 March 2026

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