

## Product Note

### HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

January 2026

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. 2,349.75 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
HDFC Bank Limited	7.14%	7.14%	0.00%	Banks	25.03%
ICICI Bank Limited	6.86%	6.86%	0.00%	Internal - Mutual Fund Units	16.64%
Eternal Limited	5.68%	5.68%	0.00%	Finance	9.49%
RBL Bank Limited	4.36%	4.36%	0.00%	Debt Instrument	8.07%
Mahindra & Mahindra Limited	4.31%	4.31%	0.00%	Retailing	6.17%
Axis Bank Limited	3.24%	3.24%	0.00%	Automobiles	4.36%
Reliance Industries Limited	2.79%	2.79%	0.00%	Petroleum Products	3.10%
PNB Housing Finance Limited	2.62%	2.62%	0.00%	Power	2.57%
Jio Financial Services Limited	2.21%	2.21%	0.00%	Ferrous Metals	2.44%
NMDC Limited	1.92%	1.92%	0.00%	Pharmaceuticals & Biotechnology	2.23%

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 January 01, 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)<sup>2</sup>** – Regular<sup>3</sup>: 0.92%, Direct: 0.30%

<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 December 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 8.39% annualized.
- Allocation towards hedged equities is at 75.05%.
- No duration or credit risk is taken on the debt side and that will pull down the final returns a bit.
- The expiry rolls saw volatility, rising from 63-64 levels to 69-70bps levels before the start of holiday season. As we moved to expiry week, rolls dropped to 64-65 bps levels and finally settling at levels just over 60bps on the final day.
- 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.
- NIFTY declined 1% in Dec'25 (MTD) – after increasing by 1.9% in Nov'25. This month to date, FIIs have sold equities close to \$2bn. In Nov'25 FIIs sold \$426mn in cash..
- 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 328,272Cr Vs Rs 325,766Cr). This month average roll basis was lower than previous expiry, 64bps Vs 68bps previous month.

## Market Movements

- The GDP growth rate for Q2FY26 came in at 8.2%; the uptick in growth was higher than estimates (est. 7.3%).
- The GDP growth rates for the preceding quarter and the year ago period were 7.6% and 5.8%, respectively.
- The positive surprise was led by factors such as 1) lagged effects of monetary and regulatory easing, 2) possible improvement in real purchasing power/consumption, and 3) limited hit so far on India's exports (5.6% growth).
- Meanwhile, MPC voted unanimously to cut the benchmark lending rate by 25bps (from 5.5% to 5.25%) on 05 Dec 2025, citing rapid disinflation and the need to support broad-based economic recovery.
- November headline inflation ticked up to 0.7%, driven by fading base effects and an uptick in food prices, CPI inflation projection has been slashed to 2.0% for FY26 (down from earlier estimate of 2.6%).

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Source – Bloomberg, HSBC Mutual Fund

**Note** – Details provided above is as on 31 December 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 mostly positive this month.
- The Fed cut its policy rate by 25bps for a third consecutive meeting on 11 Dec 2025, to 3.5-3.75%, as widely expected, with 3 dissents (one dovish, two hawkish).
- Risks to the labor market prompted the Dec-25 cut.
- Powell raised a few eyebrows in noting that job growth continues to be overstated by around 60k/month, implying true job growth has perhaps been negative, which merits a more-neutral policy rate.
- US growth surprised positively with Q3 GDP at 4.3% - the fastest in two years – driven by resilient consumption and business spend.
- The CPI rose at a 2.7% annualized rate last month, a delayed report from the Bureau of Labor Statistics showed. Economists polled by Dow Jones expected the CPI to have risen 3.1%.
- Meanwhile in the UK, the CPI inflation rate for November 2025 was 3.2%, down from 3.6% in October 2025 marking the lowest rate since March 2025. This is a continuation of a downward trend from the 2022 peak.
- In the US, all the three major indices are trading positive this month (MTD) - with DOW having increased the most, by 1.4%.
- US10YR was trading slightly higher as compared to the previous month 4.13 % Vs 4% (Nov’25).
- US Dollar Index decreased compared to last month: 98.2 Vs 99.4 (Nov’25).
- Crude prices declined this month: \$61.3/bbl. Vs \$63.2/bbl. (Nov’25)

Key Triggers :

- Q3 result update
- Developments around US-India trade deal
- Key to track foreign fund flows
- Pre budget consultations

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)
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%
Mar ’25	9.14%
Feb’25	6.78%
Jan’ 25	7.73%

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~	10623	6.23	12208	6.86	13149	5.62	17443	5.72	19517	5.98	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10753	7.53	12482	7.66	13546	6.26	17173	5.55	19229	5.84	
Additional Benchmark (Nifty 50 TRI)	11188	11.88	14941	14.29	19832	14.67	37193	14.02	39467	12.67	
HSBC Arbitrage Fund – Direct Plan~	10693	6.93	12455	7.58	13596	6.33	18563	6.38	20963	6.64	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10753	7.53	12482	7.66	13546	6.26	17173	5.55	19229	5.84	
Additional Benchmark (Nifty 50 TRI)	11188	11.88	14941	14.29	19832	14.67	37193	14.02	39467	12.67	

**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 December 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	1380000	
Market Value as on December 31, 2025 (₹)	1,23,841	3,98,017	7,03,016	19,42,975	
Scheme Returns (%)	5.99	6.63	6.27	5.77	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,598	4,03,189	7,15,916	19,51,898	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.18	7.50	7.00	5.84	
Nifty 50 TRI - Additional Benchmark (₹)	1,29,510	4,38,632	8,38,961	32,18,645	
Nifty 50 TRI - Additional Benchmark Returns (%)	15.02	13.26	13.37	13.92	

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	1380000	
Market Value as on December 31, 2025 (₹)	1,24,283	4,02,247	7,15,615	20,23,676	
Scheme Returns (%)	6.69	7.34	6.98	6.44	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,598	4,03,189	7,15,916	19,51,898	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.18	7.50	7.00	5.84	
Nifty 50 TRI - Additional Benchmark (₹)	1,29,510	4,38,632	8,38,961	32,18,645	
Nifty 50 TRI - Additional Benchmark Returns (%)	15.02	13.26	13.37	13.92	

**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 December 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 December 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 31 December 2025

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